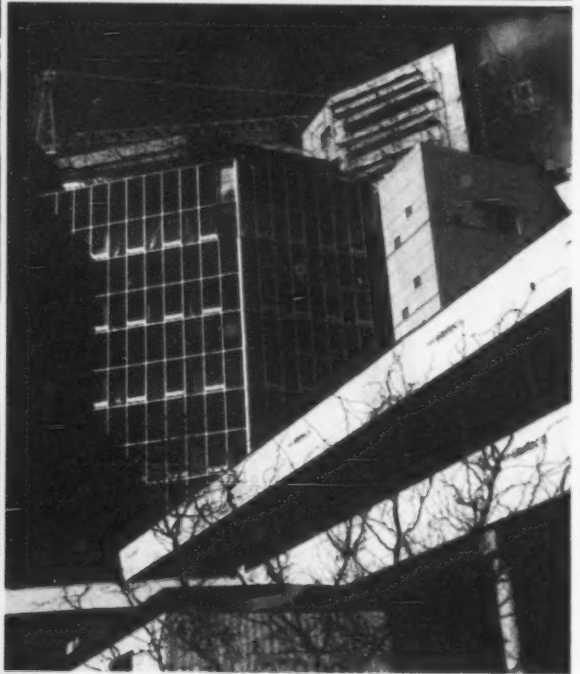
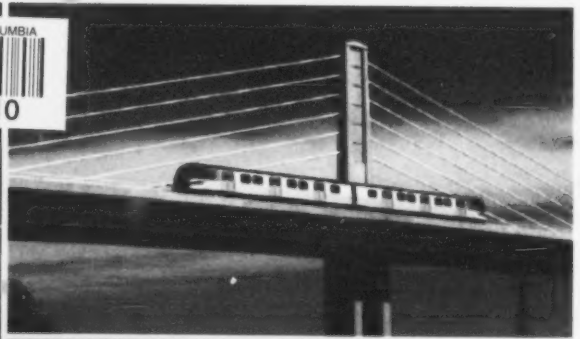
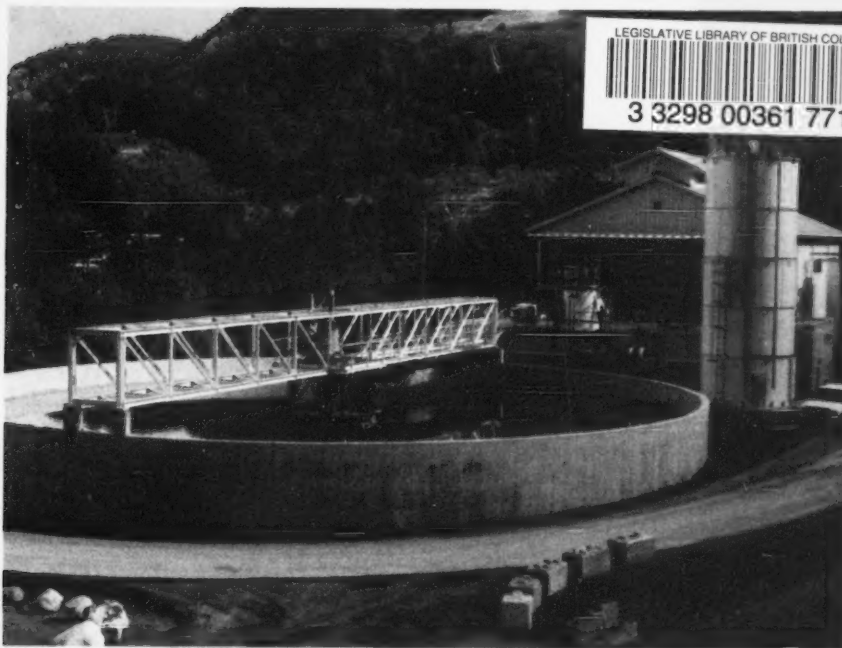


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2009 | 2010
Annual Report

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Cover photos (clockwise from top left):

- Britannia Mine Water Treatment Plant
- Canada Line
- Royal Jubilee Hospital Patient Care Centre
- Fort St. John Hospital and Residential Care Project
- Sea-to-Sky Highway Improvement Project

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**PUBLIC PRIVATE
PARTNERSHIPS
ARE DELIVERING
BENEFITS TO
BRITISH COLUMBIANS:**

5 new emergency
departments

2 new regional cancer
centres

More than

250,000
square-metres of new
health care facilities

More than **1,000**
new acute care hospital
beds

More than **1,100**
new residential care
beds and assisted living
units

Message from the Chair

I am pleased to present the 2009-10 Annual Report for Partnerships British Columbia Inc. (Partnerships BC or the Company).

Over its eight year history, Partnerships BC has become a global leader in bringing innovation to the planning and procurement of major capital projects and has made a significant contribution to the emergence of Canada as one of the world's most active and attractive environments for public private partnerships.

The Company continues to build a foundation of expertise through involvement with nearly 35 partnership projects. These projects are bringing the best of the public and private sectors together, ensuring sound policy and business planning in the public interest, while leveraging innovation, project management expertise and due diligence from the private sector. Many projects, delivered using the design, build, finance, maintain partnership model, are operational and each was completed on or ahead of schedule and within budget. The partnership delivery model is providing exceptional value for taxpayers' dollars by ensuring the timely and cost-effective delivery of major capital projects: it has become a cornerstone in the Province's commitment to fiscal responsibility.

During 2009-10, several projects reached key milestones. Five projects entered the operational stage: the Golden Ears Bridge, which opened two weeks ahead of schedule; the Canada Line, which opened three and a half months ahead of schedule; the Sea-to-Sky Highway Improvement Project, which opened on schedule; the Pitt River Bridge & Mary Hill Interchange opened for motorists; and the University of British Columbia Clinical Academic Campus—a component of the Kelowna Vernon Hospitals Project—opened at Kelowna General Hospital. Construction continued on four health care projects in communities across the province, including: the Kelowna and Vernon Hospitals Project; the Royal Jubilee Hospital Patient Care Tower in Victoria; the Surrey Outpatient Care and Surgery Centre; and, the Fort St. John Hospital and Residential Care Project. Construction on the Port Mann/Highway 1 Project continues using an enhanced design build partnership structure. In December 2009, a project agreement was signed for the BC Cancer Agency Centre for the North in Prince George, and negotiations to reach a project agreement for the South Fraser Perimeter Road are underway. A shortlist of teams was announced for the Surrey Memorial Hospital Expansion and Redevelopment: Emergency Department and Critical Care Tower and a Request for Proposals was issued in February.

I would like to emphasize that Partnerships BC supports the Province's climate action plan to reduce greenhouse gas emissions and improve energy efficiency in public sector buildings. A significant component of the Company's innovation, leadership and expertise is now focused on developing energy efficient infrastructure and new sources of green energy—goals that are shared with our clients and the Province.

Although financial markets have improved, Partnerships BC has continued to monitor the availability and cost of capital for infrastructure projects. For every partnership project, a thorough analysis is done to determine the right mix of public and private funding to ensure taxpayers get the best value for every dollar.

In 2009-10, Partnerships BC completed substantial reviews and updates to procurement documentation to capture best practices and experience to date. New best practices focused on managing project affordability were successfully implemented for projects in the business planning and procurement stages. To complement and enhance its existing range of capital project management services, the Company now provides expanded post-financial close services for clients with major projects in the design and construction stages.

The Partnerships BC Board of Directors reviewed corporate performance in 2009-10 and concluded that the Company successfully delivered on its corporate goals in the Service Plan: structuring and implementing public private partnership solutions; encouraging growth and development of the market; and remaining commercially viable.

Going forward, Partnerships BC expects to meet its revenue growth and net income margin targets as outlined in its 2010-11 to 2012-13 Service Plan.

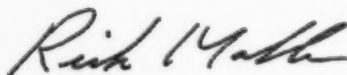
On behalf of the Board, I would like to acknowledge the retirement of Dan George, and two of the founding Board members—Harold Calla and Celia Courchene—and thank them for their service and contribution.

I would also like to acknowledge the entire team at Partnerships BC, whose professionalism and dedication has led to the building of roads, hospitals, bridges, water treatment facilities and rapid transit service in communities across the province for the benefit of all British Columbians. As my term as Chair will end in 2010-11, I would like to take this opportunity to express that it has been my honour to serve as Chair while the Company has evolved to become a centre of expertise in British Columbia which is recognized internationally for innovation in the procurement of performance-based infrastructure.

The 2009-10 Partnerships BC Annual Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The Board sets performance measures and holds management accountable for the contents of the report and achievement against the performance measures. The information presented reflects the actual performance of the Company for the year ended March 31, 2010. All significant decisions, events and identified risks, as of March 31, 2010 have been considered in preparing the report.

The information presented is prepared in accordance with the B.C. Reporting Principles and represents a comprehensive picture of the Company's actual performance in relation to the Service Plan.

Sincerely,



Rick Mahler
Chair

**PUBLIC PRIVATE
PARTNERSHIPS
ARE DELIVERING
BENEFITS TO
BRITISH COLUMBIANS:**

New capacity to
accommodate more than
1,000,000
annual outpatient hospital
visits

6 new bridges

360 kilometres of
new highway

19.5 kilometres of
rapid transit

Treatment of up to
500,000
cubic metres of
contaminated water
annually

Organizational Overview

Partnerships BC was created in May 2002 to support the Province's commitment to sound fiscal management in the delivery of affordable, performance-based infrastructure that meet the needs of British Columbians. Partnerships BC is a company owned by the Province of British Columbia and governed by a Board of Directors reporting to its sole Shareholder: the Minister of Finance. The Company is incorporated under the British Columbia Business Corporations Act.

Partnerships BC's mission is to be the Province's centre of expertise for evaluating, structuring and implementing partnership solutions which serve the public interest. The Company is committed to commercial viability, transparent operations and achieving wide recognition for its innovation, leadership and expertise in partnership delivery models.

Partnerships BC is responsible for bringing together the public and private sectors to develop and implement partnership projects. The Company's clients include public sector agencies such as ministries, Crown corporations, health authorities, advanced education institutions, local governments, the federal government and other provincial governments.

Capital planning in British Columbia is governed by the Capital Asset Management Framework (CAMF). Within CAMF, public sector agencies are guided by the Capital Standard policy which states for projects with \$50 million or more of provincial funding, a partnership delivery model will be considered the base case in procurement options analysis and will be the preferred option unless there is a compelling reason to select a different delivery option. For projects with \$20 million to \$50 million of provincial funding, a preliminary project screening will be undertaken to determine if the project has any characteristics that would make it suitable for the partnership delivery model.

Partnerships BC's services are critical to the Province's ability to undertake the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services and capital. Partnerships BC provides a full spectrum of services ranging from business planning and procurement management to post-financial close advisory services. This flexible approach enables clients to focus on their core business and accountabilities while Partnerships BC focuses on the business and contractual requirements of evaluating, structuring and implementing partnership projects.

Specific service offerings are described in the table below.

PARTNERSHIPS BC'S SERVICES		
BUSINESS PLANNING <ul style="list-style-type: none"> • Early Project Screening • Concept Plans • Procurement Options Assessment • Business Case <ul style="list-style-type: none"> • Market Sounding • Quantitative Analysis • Risk Analysis • Multiple Criteria Analysis (MCA) • Procurement Options Analysis 	PROCUREMENT PROCESS <ul style="list-style-type: none"> • Procurement Management • Evaluation Management • Contract Negotiations • Service Integration <ul style="list-style-type: none"> • Consultant Management • Project Reporting 	POST-FINANCIAL CLOSE <ul style="list-style-type: none"> • Construction Oversight – Advice and Management
KNOWLEDGE MANAGEMENT • BEST PRACTICES AND DOCUMENTATION • STRATEGIC COMMUNICATIONS • STAKEHOLDER MANAGEMENT • PROJECT GOVERNANCE		
RECOMMENDATIONS TO TREASURY BOARD		

Partnerships BC provides services directly through its own expertise and also by utilizing external consultants where specialized advice is required. To strengthen the partnership market, Partnerships BC builds relationships with private sector developers, investors, the advisory and financial services sector and providers of construction, engineering and facilities management services.

The Company's organization, staffing and governance reflect and support this blend of the public and private sector to best serve the public interest. Partnerships BC's Board of Directors and staff have a mix of skills and expertise from both sectors. The Company has offices in Vancouver and Victoria.

Partnerships BC is structured into strategic service units that support the Company's project focus and operational requirements: Partnerships Development and Delivery, Partnerships Services and Finance and Administration. These business units, and their primary functions, are described in the table below.

SENIOR MANAGEMENT TEAM

Larry Blain – PRESIDENT & CEO

Sarah Clark Vice President Partnerships Development and Delivery	Susan Tinker Vice President Partnerships Services	Chan-Seng Lee Vice President Finance and Administration
AREAS OF RESPONSIBILITY <ul style="list-style-type: none"> • Business Development • Project Governance and Delivery • Corporate Relations • Market Development • Senior Project Adviser 	AREAS OF RESPONSIBILITY <ul style="list-style-type: none"> • Policy and Practices • Communications • Legal Services • Procurement Services • Knowledge Management and Research • Senior Project Adviser 	AREAS OF RESPONSIBILITY <ul style="list-style-type: none"> • Finance and Accounting • Human Resources • Administration • Facilities • Information Technology • Contract Management • Corporate Governance

Partnerships BC's human resources strategy is based on recruitment and retention, leadership development, training and performance planning and management.

Partnerships BC has implemented corporate and individual performance goals that support the objectives of each of the service areas. All employee performance plans are tied directly to corporate performance. Certain corporate performance measures are benchmarked against comparable professional service firms in the private sector and comparable public sector agencies. As part of their performance plans, employees are responsible for project deliverables and assisting with partnership development and the development and implementation of best practices.

The Company regularly updates its website to provide new information on current and completed projects, project reports and best practice guidance documents. For more information, visit: www.partnershipsbcc.ca.

"The two major benefits of P3s are cost-savings and time-savings."

– Gilles Rhéaume, Vice-President
The Conference Board of Canada
January 2010

YEAR IN REVIEW

2009

APRIL

- RFP issued for BC Cancer Agency Centre for the North
- RFP issued for South Fraser Perimeter Road

MAY

- Presentation to the Architectural Institute of British Columbia

JUNE

- Golden Ears Bridge opens two weeks early

JULY

- Groundbreaking ceremony kicks-off construction for Fort St. John Hospital and Residential Care Project
- RFQ issued for Surrey Memorial Hospital Redevelopment and Expansion: Emergency Department and Critical Care Tower

Corporate Governance

YEAR IN REVIEW

AUGUST

- Canada Line opens three and a half months early
- Partnerships BC Discussion Paper: Methodology for Quantitative Procurement Options Analysis released for comment

SEPTEMBER

- Best Practices Workshop held for provincial ministry clients

OCTOBER

- Abbotsford Regional Hospital and Cancer Centre achieves LEED® Gold certification
- Surrey Outpatient Care and Surgery Centre reaches construction milestone
- Sea-to-Sky Highway Improvement Project complete
- Plenary Health named preferred proponent for BC Cancer Agency Centre for the North
- Pitt River Bridge and Mary Hill Interchange opens to traffic

Partnerships BC is governed by a Board of Directors that ensures the operations of the Company reflect the interests of the Shareholder. The initial Board of Directors was appointed July 15, 2003 and the composition of the Board reflects the unique mandate of the Company, with Directors drawn from both the public and private sectors. The key functions of the Board include: to provide governance and oversight for the Company, and to review and recommend potential partnership opportunities.

The Board follows governance principles as set out in the Best Practices Guidelines published by the Board Resourcing and Development Office of the Ministry of Finance. The activities of the Board are governed by disclosure guidelines set by the Province. Details on Partnerships BC's governance practices can be found at: www.partnershipsbc.ca/files/governance-practices.html.

The Board consisted of the following Directors: Rick Mahler (Chair), Ed Andersen, Brian Bentz, Susan Conner, Colin Dobell, Dan Doyle, Peter Kappel, Gordon Steele, Kirsten Tisdale and Sharon White.

The Board is supported by two subcommittees. The Audit and Risk Management Committee provides oversight of key financial information. This includes audited financial statements, quarterly financial statements, the annual report and any quarterly reports, the service plan, annual business plan, operating and capital budgets and any budget presentations to government. The committee also reviews the Company's risk management, internal controls and information systems. The committee members were: Susan Conner (Chair), Colin Dobell, Dan Doyle, Peter Kappel and Sharon White. The Board Chair and the Chair of the Human Resources and Governance Committee also attend meetings of the Audit and Risk Management Committee.

The Human Resources and Governance Committee assists the Board with human resource issues, compensation matters and the establishment of a plan of continuity and development for senior management. The committee also provides a focus on corporate governance to enhance the performance of the Company. The committee members were: Kirsten Tisdale (Chair), Ed Andersen, Brian Bentz and Gordon Steele. The Board Chair and the Chair of the Audit and Risk Management Committee also attend meetings of the Human Resources and Governance Committee.



Back row (left to right): Ed Andersen, Brian Bentz, Peter Kappel, Gordon Steele
Front row (left to right): Susan Conner, Rick Mahler (Chair), Sharon White, Dan Doyle, Kirsten Tisdale
Missing: Colin Dobell

Report on Performance

Since its inception in 2002, Partnerships BC has been involved with nearly 35 partnership projects with a capital value of \$10 billion. As the centre of expertise for partnership procurement in British Columbia, the Company continually transfers knowledge and experience gained from past projects to others to improve the efficiency and quality of the procurement process to save time and money for the public and private sectors.

In 2009-10, two health care projects reached a final agreement; Requests for Proposals were issued for projects in the health and transportation sectors; business planning was advanced for several projects and the provision of post-financial close advisory services was expanded with new engagements for clients in the health sector. In addition, new affordability best practices were successfully implemented for projects in the business planning and procurement stages thereby ensuring the project benefits will be delivered within the project budget. As well, significant updates were made to procurement documents to capture best practices and experience to date.

The financial market crisis which commenced in summer 2008 affected the availability and cost of private capital for infrastructure projects and thereby impacted the partnership market both nationally and internationally. Around the world and across Canada, agencies have responded to these challenges with new approaches and programs to optimize the sources of financing and ensure that projects remain affordable. Over the past year, financial markets have improved dramatically although capital availability and cost have not returned to pre-crisis levels.

In 2009-10, Partnerships BC continued its efforts to create a strong, coordinated Canadian market. Partnerships BC worked with other Canadian jurisdictions to promote consistency in the development and application of best practices to ensure both the B.C. and broader Canadian market remained attractive to market participants.

Performance Results

Building on the platform of success established over eight years of operation and reflecting both the vision of its Board of Directors and the needs of its Shareholder, the Company focused on three corporate goals for the 2009-10 fiscal year:

1. Structure and implement public private partnership solutions which serve the public interest (60 per cent¹),
2. Encourage development of the public private partnership market in British Columbia (15 per cent¹), and
3. Remain commercially viable and increase productivity (25 per cent¹).

The management team presented Partnerships BC's performance results to the Board of Directors at the end of 2009-10 and the Board determined that the Company achieved its corporate goals.

Partnerships BC will continue to refine and reassess its corporate goals in the years ahead as the Company grows, the partnership market in British Columbia matures and the policy environment evolves.

YEAR IN REVIEW

NOVEMBER

- Topping off ceremony for new Patient Care Tower at Kelowna General Hospital
- Final beam installed at Royal Jubilee Hospital Patient Care Centre

DECEMBER

- Four B.C. partnership projects win national awards from the Canadian Council for Public-Private Partnerships
- BC Healthcare Solutions, ISL Health and Integrated Team Solutions are shortlisted for Surrey Memorial Hospital Redevelopment and Expansion: Emergency Department and Critical Care Tower
- Final agreement signed for BC Cancer Agency Centre for the North
- Released the Project Report: Achieving Value for Money Fort St. John Hospital and Residential Care Project

"We are firm believers in the partnership model; it is good for our industry and our province."

— Kirk Fisher, Vice President
Lark Group

¹Weighting applied by Board in assessing corporate performance

Results (Based on 2009-10 Corporate Goals)

GOAL 1 – Structure and implement public private partnership solutions which serve the public interest (60 per cent)

STRATEGIES

- Continued to build and improve upon relationships with public sector client agencies and undertook business development beyond core provincial government client agencies.
- Ensured that a wide client group was aware of the potential benefits of public private partnerships.
- Continually sought out business opportunities with new, potential and existing clients.
- Developed business plans that incorporated rigorous financial analysis, risk assessment and management tools to provide a solid foundation for decision making, based on an assessment of a full range of quantitative and qualitative factors.
- Published documents that communicate the value for taxpayer dollars expected to be achieved for projects, and, as appropriate and utilized by the client, a Report of the Fairness Adviser following financial close of each project, and disclosed all documentation not deemed to be commercially sensitive.
- Continually assessed and appraised the quality of services provided by Partnerships BC with clients, external stakeholders such as public private partnership service providers (e.g. advisers), project participants and private partners. Strategies included conducting client surveys and conducting market consultations.

Performance Measures	PAST PERFORMANCE		2009-10 PERFORMANCE	
	2007-08 Results	2008-09 Results	Targets	Results
<ul style="list-style-type: none"> Public private partnership development agreement engagements with Province and/or other agencies 	<ul style="list-style-type: none"> 35 new engagements Engaged new sectors: energy, K-12 education, universities, local governments New engagements with other jurisdictions: Alberta, Nova Scotia, Government of Canada 	<ul style="list-style-type: none"> 25 new engagements Engaged new sectors: corrections, colleges New engagements with other jurisdictions: Saskatchewan, Prince Edward Island Project implementation advisory services provided on health and transportation projects 	<ul style="list-style-type: none"> Positive assessment by Board of Directors of engagements achieved 	<ul style="list-style-type: none"> 25 new engagements Two projects reached a final agreement Two projects in procurement Expanded post-financial close engagements
<ul style="list-style-type: none"> Revenue growth 	<ul style="list-style-type: none"> 14%² Seven engagements with non-Provincial clients Two post-financial close engagements Business case development for multiple sectors 	<ul style="list-style-type: none"> 15%² Eight engagements with non-Provincial clients Four post-financial close engagements Business case development for multiple sectors 	<ul style="list-style-type: none"> 3% 	<ul style="list-style-type: none"> -13% 17 engagements with non-Provincial clients Five post-financial close engagements
<ul style="list-style-type: none"> Client survey results indicate Partnerships BC performance meets or exceeds client expectations 	<ul style="list-style-type: none"> 86.1% overall client satisfaction 	<ul style="list-style-type: none"> Client survey not conducted in 2008-09 Positive anecdotal feedback received from clients across multiple sectors Positive feedback from the Shareholder 	<ul style="list-style-type: none"> Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery 	<ul style="list-style-type: none"> Client survey not conducted in 2009-10 Positive anecdotal feedback received from clients across multiple sectors Positive feedback from the Shareholder
<ul style="list-style-type: none"> Project milestones achieved 	<ul style="list-style-type: none"> All controllable project milestones met 	<ul style="list-style-type: none"> All controllable project milestones achieved 	<ul style="list-style-type: none"> Positive assessment by Board of Directors (on project milestones achieved) 	<ul style="list-style-type: none"> All controllable project milestones achieved
<ul style="list-style-type: none"> Publish project report or communications on all projects after a final project agreement has been reached 	<ul style="list-style-type: none"> 100% documents completed 	<ul style="list-style-type: none"> 100% documents completed 	<ul style="list-style-type: none"> 100% documents completed 	<ul style="list-style-type: none"> 100% documents completed
<ul style="list-style-type: none"> Publish fairness and probity opinions on projects where size and scope warrants fairness review 	<ul style="list-style-type: none"> 100% documents published Clean fairness opinions on four projects (RFQ process) 	<ul style="list-style-type: none"> 100% documents published Clean fairness opinions on four projects (RFQ and RFP processes) 	<ul style="list-style-type: none"> 100% documents published 	<ul style="list-style-type: none"> 100% documents published Clean fairness opinions on three projects (RFQ and RFP processes)

²High revenue growth in 2007-08 due to significant procurement activity

³Includes completion fee for Abbotsford Regional Hospital project in 2008-09

The mandate of Partnerships BC is to evaluate, structure and implement partnership solutions which serve the public interest. Therefore, the Company measures its performance, in part, by tracking its ability to meet project milestones and generate new engagements for work.

During the year, Partnerships BC actively worked on 25 new engagements and provided a range of services to clients in health, transportation, corrections, energy, education and local and federal governments.

The Company did not reach its revenue growth target for 2009-10 (three per cent target; negative 13 per cent result). The state of the provincial economy had an impact on the commencement of project business cases, timing of project approvals and projects entering procurement based on the revenue risks and constraints faced by the Province.

However, this also reduced Partnerships BC's requirement to resource those projects, thus leading to a decline in compensation and administrative expenses.

Partnerships BC's commitment to openness and transparency was reflected in the public release of procurement documents for the projects that entered the market in 2009-10 and the release of fairness adviser reports for those projects. In addition, the Project Report: Achieving Value for Money was released for Fort St. John Hospital and Residential Care Project.

Partnerships BC is dedicated to providing public sector clients with the highest standard of service possible and to ensuring clients are satisfied with the quality of services provided. Positive feedback was received from public sector clients and other jurisdictions, and from Partnerships BC's Shareholder, the Minister of Finance.

"As the poster child for public private partnerships, the Canada Line has carried a lot of baggage since its inception. The completion of the line validates the decision by the Province to follow that route on the basis of transferring the construction risk to the private partner."

— Vancouver Sun
August 2009

YEAR IN REVIEW

2010

JANUARY

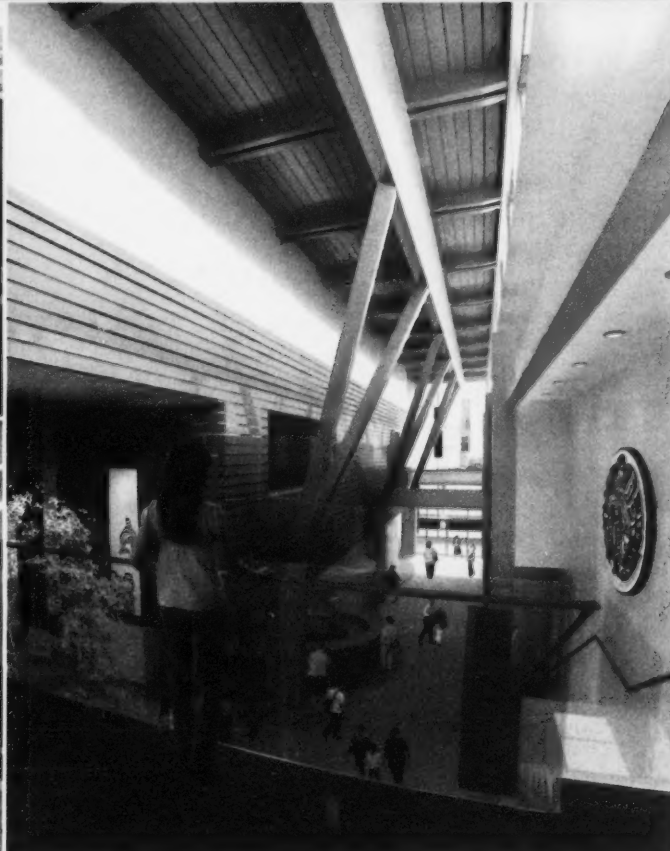
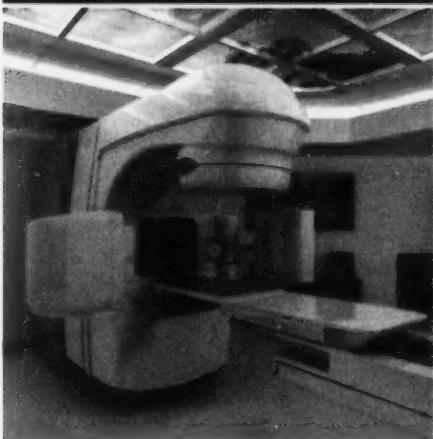
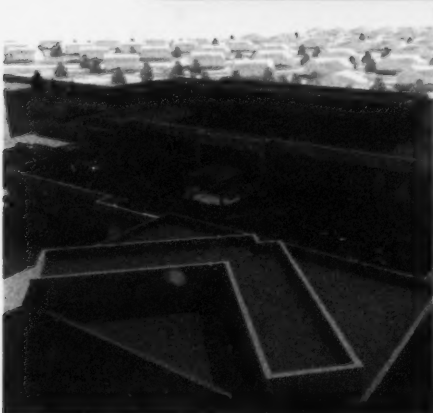
- Topping off ceremony for new Patient Care Tower at Vernon Jubilee Hospital
- Funding approved for Interior Heart and Surgical Centre
- UBC Clinical Teaching Facility opens at Kelowna General Hospital

FEBRUARY

- RFP issued for Surrey Memorial Hospital Redevelopment and Expansion: Emergency Department and Critical Care Tower
- Partnering in British Columbia Networking Reception to discuss the advantages of investing and partnering in B.C.

MARCH

- Presentation to the University of British Columbia Sauder School of Business Strategy and Business Economics Division Public-Private Partnerships
- Presentation to the California Foundation for the Environment and the Economy in Vancouver

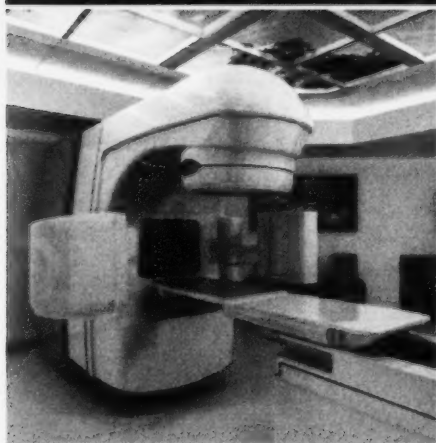
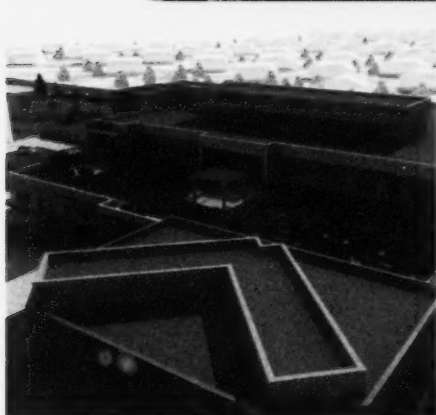
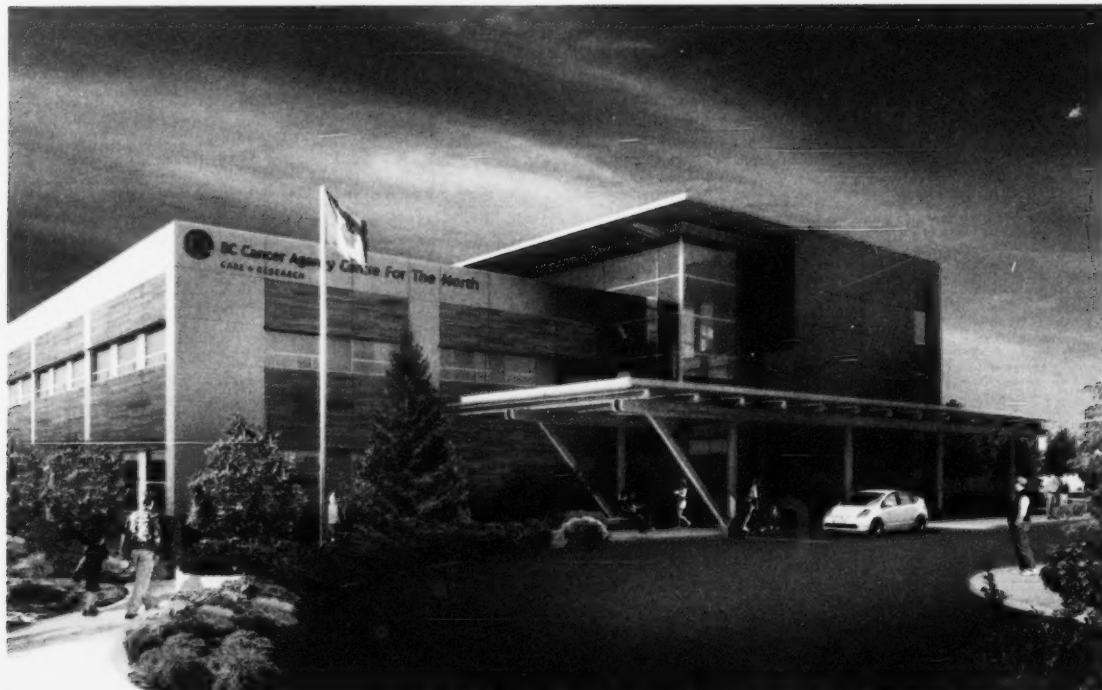


Artist's rendering of the BC Cancer Agency Centre for the North

GOAL 2 – Encourage development of the public private partnership market in British Columbia (15 per cent)**STRATEGIES**

- Maintained a stakeholder outreach program to increase visibility and appreciation of Partnerships BC in the broader international market.
- Participated within and outside British Columbia at conferences and workshops.
- Hosted client and market outreach workshops.
- Entered into public private partnership development agreements with clients in strategic sectors.
- Developed a presence in the business community to ensure Partnerships BC is recognized as a catalyst for success in public private partnership projects.
- Identified and applied best practices from project to project to help ensure continuous improvement and consulted regularly with clients and the market in best practice development.
- Focused on the use and optimization of the knowledge management system to capture and incorporate best practices.
- Supported the development of a strong pan-Canadian partnership market.

Performance Measures	PAST PERFORMANCE		2009-10 PERFORMANCE	
	2007-08 Results	2008-09 Results	Targets	Results
<ul style="list-style-type: none"> • New market participants in B.C. 	<ul style="list-style-type: none"> • Major new entrants to B.C. partnership market: Transtoll Inc., Health Care Projects Canada Ltd., HSBC Infrastructure Fund Management Ltd., Honeywell Limited, Cintra S.A., Transurban Group 	<ul style="list-style-type: none"> • Active market participation—11 new market participants, including: Zachry American Infrastructure, Dragados S.A., Graycorp Advisors Ltd., Genivar Engineering, Vermeulen Hind Architects • Numerous new market participants—local, national and international 	<ul style="list-style-type: none"> • Number of new market participants 	<ul style="list-style-type: none"> • Active market participation on recent projects • New market participants: EllisDon, Meridiam and Busby, Perkins & Will
<ul style="list-style-type: none"> • Annual examples of best practices established, acknowledged and adopted within the provincial government and by other governments 	<ul style="list-style-type: none"> • All projects using standard procurement documents and sharing best practices internally • Sharing best practices across North America 	<ul style="list-style-type: none"> • All projects using standard procurement documents and sharing best practices internally • Developed and implemented comprehensive best practices: costing, affordability, evaluation and governance • Developed guidance and template for performance specifications for health projects 	<ul style="list-style-type: none"> • Examples of projects utilizing best practices 	<ul style="list-style-type: none"> • All projects using standard procurement documents and best practices • 25 new or updated best practice/guidance documents/templates developed • Effective implementation of new project costing and proposal evaluation system
<ul style="list-style-type: none"> • Annual examples of synergies and process cost reductions 	<ul style="list-style-type: none"> • Project by project evidence of reduced costs (e.g. legal) • Use of procurement documents consistent across projects and sectors (e.g. health and transportation) 	<ul style="list-style-type: none"> • Evidence of reduced project costs (e.g. legal and business adviser fees) • Examples of shortened procurement processes • Benchmarks will be established 	<ul style="list-style-type: none"> • Project examples where synergies achieved 	<ul style="list-style-type: none"> • Procurement benchmark established 18 months from date of RFQ release to financial close • Fort St. John Hospital and Residential Care Project—14.5 months • BC Cancer Agency Centre for the North—16.8 months
<ul style="list-style-type: none"> • External validation (i.e. awards, informed media coverage) 	<ul style="list-style-type: none"> • International recognition for Partnerships BC and public private partnership policy; five project awards 	<ul style="list-style-type: none"> • Positive media coverage—local, national and international • Two project awards • Enhanced stakeholder outreach 	<ul style="list-style-type: none"> • Examples from third party validators 	<ul style="list-style-type: none"> • Positive media coverage—local, national and international • Four project awards • Enhanced stakeholder outreach



Artist's rendering of the BC Cancer Agency Centre for the North

GOAL 2 – Encourage development of the public private partnership market in British Columbia (15 per cent)**STRATEGIES**

- Maintained a stakeholder outreach program to increase visibility and appreciation of Partnerships BC in the broader international market.
- Participated within and outside British Columbia at conferences and workshops.
- Hosted client and market outreach workshops.
- Entered into public private partnership development agreements with clients in strategic sectors.
- Developed a presence in the business community to ensure Partnerships BC is recognized as a catalyst for success in public private partnership projects.
- Identified and applied best practices from project to project to help ensure continuous improvement and consulted regularly with clients and the market in best practice development.
- Focused on the use and optimization of the knowledge management system to capture and incorporate best practices.
- Supported the development of a strong pan-Canadian partnership market.

Performance Measures	PAST PERFORMANCE		2009-10 PERFORMANCE	
	2007-08 Results	2008-09 Results	Targets	Results
<ul style="list-style-type: none"> • New market participants in B.C. 	<ul style="list-style-type: none"> • Major new entrants to B.C. partnership market: Transtoll Inc., Health Care Projects Canada Ltd., HSBC Infrastructure Fund Management Ltd., Honeywell Limited, Cintra S.A., Transurban Group 	<ul style="list-style-type: none"> • Active market participation—11 new market participants, including: Zachry American Infrastructure, Dragados S.A., Graycorp Advisors Ltd., Genivar Engineering, Vermeulen Hind Architects • Numerous new market participants—local, national and international 	<ul style="list-style-type: none"> • Number of new market participants 	<ul style="list-style-type: none"> • Active market participation on recent projects • New market participants: EllisDon, Meridiam and Busby, Perkins & Will
<ul style="list-style-type: none"> • Annual examples of best practices established, acknowledged and adopted within the provincial government and by other governments 	<ul style="list-style-type: none"> • All projects using standard procurement documents and sharing best practices internally • Sharing best practices across North America 	<ul style="list-style-type: none"> • All projects using standard procurement documents and sharing best practices internally • Developed and implemented comprehensive best practices: costing, affordability, evaluation and governance • Developed guidance and template for performance specifications for health projects 	<ul style="list-style-type: none"> • Examples of projects utilizing best practices 	<ul style="list-style-type: none"> • All projects using standard procurement documents and best practices • 25 new or updated best practice/guidance documents/templates developed • Effective implementation of new project costing and proposal evaluation system
<ul style="list-style-type: none"> • Annual examples of synergies and process cost reductions 	<ul style="list-style-type: none"> • Project by project evidence of reduced costs (e.g. legal) • Use of procurement documents consistent across projects and sectors (e.g. health and transportation) 	<ul style="list-style-type: none"> • Evidence of reduced project costs (e.g. legal and business adviser fees) • Examples of shortened procurement processes • Benchmarks will be established 	<ul style="list-style-type: none"> • Project examples where synergies achieved 	<ul style="list-style-type: none"> • Procurement benchmark established 18 months from date of RFQ release to financial close • Fort St. John Hospital and Residential Care Project—14.5 months • BC Cancer Agency Centre for the North—16.8 months
<ul style="list-style-type: none"> • External validation (i.e. awards, informed media coverage) 	<ul style="list-style-type: none"> • International recognition for Partnerships BC and public private partnership policy; five project awards 	<ul style="list-style-type: none"> • Positive media coverage—local, national and international • Two project awards • Enhanced stakeholder outreach 	<ul style="list-style-type: none"> • Examples from third party validators 	<ul style="list-style-type: none"> • Positive media coverage—local, national and international • Four project awards • Enhanced stakeholder outreach

Partnerships BC is focused on growing the partnership market by creating a centre of expertise in British Columbia. A key measure in achieving this is the harnessing of best practices from each project and transferring the knowledge and experience to other projects, thereby improving efficiency and quality and saving time and money for the public and private sectors.

One method of tracking synergies and cost reductions is to establish procurement benchmarks. In 2009-10, Partnerships BC set a procurement benchmark of 18 months from release of the Request for Qualifications to financial close. This benchmark of 18 months will help maintain consistency in the procurement process; it allows sufficient time for the private sector to develop quality proposals and enough time for due diligence in evaluation. Reporting procurement time is an appropriate measure because the length of procurement is a key driver of the costs incurred for the public and private sectors. Both health care projects in 2009-10 achieved financial close within the procurement benchmark of 18 months.

In 2009-10, Partnerships BC completed substantial reviews and updates to procurement documents such as Request for Qualifications, Request for Proposals and the Project Agreement. In fact, a total of 25 best practice guidance documents or templates were either introduced or revised. A significant amount of cross-project coordination continued between project teams to ensure lessons learned were being captured and shared. A comprehensive suite of best practices that were approved in 2008-09 were applied to projects in business planning and procurement in 2009-10; for example, new affordability best practices were applied to the health projects that reached a final agreement with positive results.

The partnership market in British Columbia continues to expand and projects are generating robust competition among participants. Partnership projects are combining local knowledge and jobs with international best practices and experience as B.C.-based contractors are teaming up with international companies to deliver innovative designs and state-of-the-art facilities across the province.

Throughout 2009-10, Partnerships BC received external validation from a variety of sources, including: provincial, national and international media coverage; project awards; and client feedback. The Company utilized its communications and stakeholder relations web-based database to communicate directly with the public, media, market participants and clients to provide updates on the status of partnership projects. Four partnership projects were recognized in 2009 by the Canadian Council for Public-Private Partnerships National Awards for Innovation & Excellence. Jurisdictions from around the world continually seek advice from Partnerships BC on how best to structure and implement partnership projects in recognition of the Company's success and leadership in the development of performance-based infrastructure.

"The Sea-to-Sky Highway Improvement Project was facilitated by Partnerships BC, whose knowledge, understanding, expertise and practical experience in this area proved invaluable."

*- Sea-to-Sky Highway Improvement Project Office
January 2010*

GOAL 3 – Remain commercially viable and increase productivity (25 per cent)**STRATEGIES**

- Ensured that Partnerships BC's resources and cost structure were appropriate for the expected workload.
- Monitored human resource issues relative to the human resource strategy and adjusted as required.
- Prudently managed general and administrative (non-recoverable) expenses.
- Developed internal performance measures for Partnerships BC and its staff which tied individual and collective success to the achievement of milestone events.

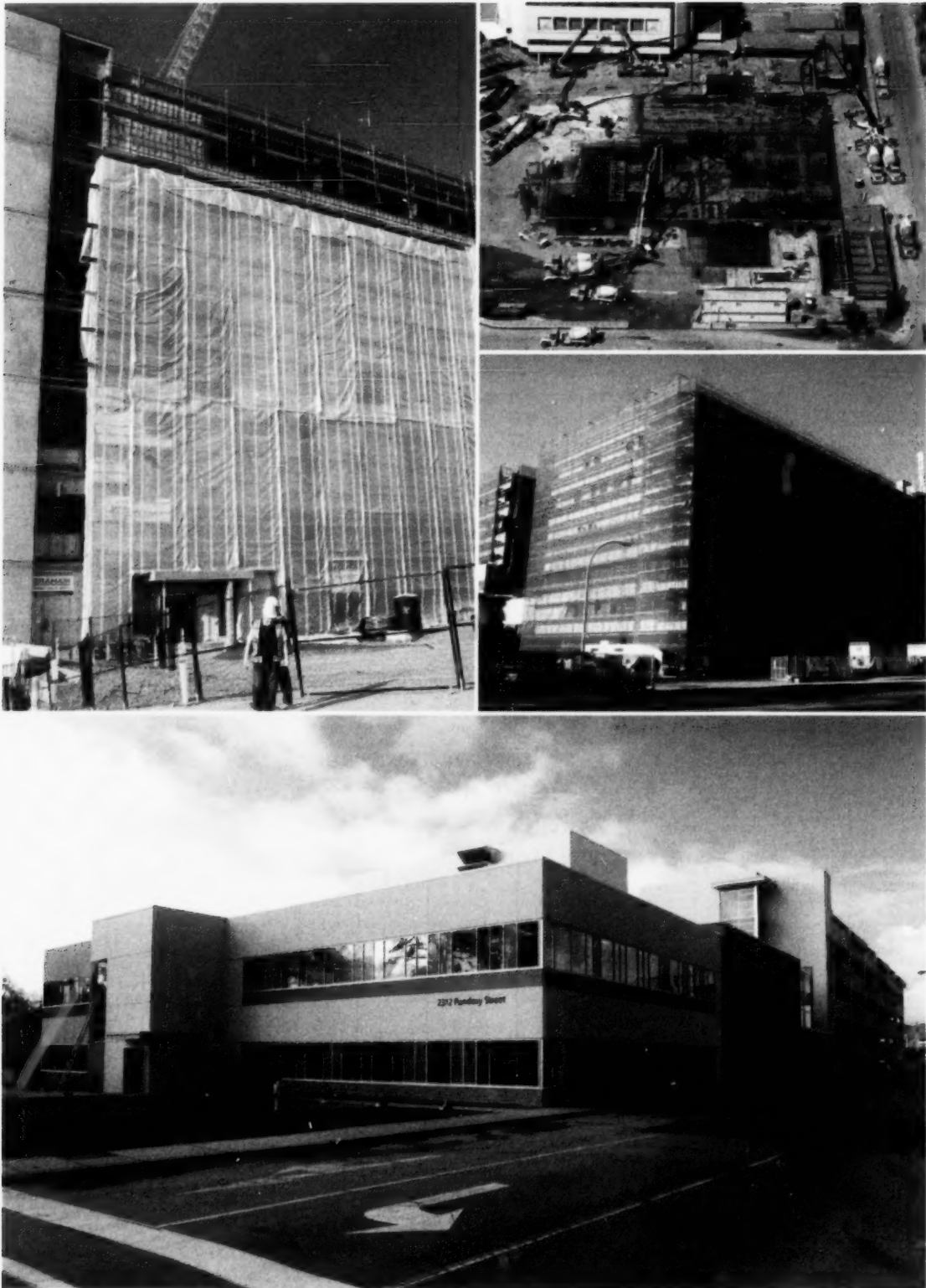
Performance Measures	PAST PERFORMANCE		2009-10 PERFORMANCE	
	2007-08 Results	2008-09 Results	Targets	Results
<ul style="list-style-type: none"> • Meet financial plan targets (minimum 15% net income margin pre-variable compensation) 	<ul style="list-style-type: none"> • Net income target met (pre-variable compensation), \$1,982,639 • Exceeded 15% minimum Shareholder target and 21% financial plan target with a net income margin of 21.6% (pre-variable compensation) 	<ul style="list-style-type: none"> • Net income target met (pre-variable compensation) \$2,563,638 • Exceeded 15% minimum Shareholder target and 20.1% financial plan target with a net income margin of 25.3% (pre-variable compensation) 	<ul style="list-style-type: none"> • Meet revised financial plan target (revenue either meets or exceeds expenses) 	<ul style="list-style-type: none"> • Revised financial plan target met
<ul style="list-style-type: none"> • Minimize charge-out rates to clients 	<ul style="list-style-type: none"> • No change 	<ul style="list-style-type: none"> • No change 	<ul style="list-style-type: none"> • No change in charge-out rates 	<ul style="list-style-type: none"> • No change
<ul style="list-style-type: none"> • Employee satisfaction 	<ul style="list-style-type: none"> • Employee satisfaction survey conducted every two years. Scheduled for fiscal 2008-09 • BC Public Service Agency Work Environment Survey 2007 (overall score of 80) 	<ul style="list-style-type: none"> • No employee survey conducted • BC Public Service Agency Work Environment Survey 2008 (overall score of 85) • BC Business Best Companies to Work for in BC Survey (overall score of 4.06 out of 5) 	<ul style="list-style-type: none"> • Employee survey results meet or exceed industry standards, with minimum 85% employee satisfaction 	<ul style="list-style-type: none"> • No employee survey conducted • BC Public Service Agency Work Environment Survey 2009 (overall score of 78) • BC Business Best Companies to Work for in BC Survey (overall score of 4.18 out of 5)
<ul style="list-style-type: none"> • Targeted and relevant training 	<ul style="list-style-type: none"> • Achieved training objectives within budget 	<ul style="list-style-type: none"> • Achieved training objectives within budget 	<ul style="list-style-type: none"> • 5% of compensation costs 	<ul style="list-style-type: none"> • Achieved training objectives within budget

In 2009-10, Partnerships BC was engaged to assist with business planning for a number of projects across a variety of sectors. Two projects were in procurement and two health care projects successfully reached a final agreement. The number of engagements for post-financial close advisory services expanded with more projects entering the design and construction stage of development. Partnerships BC succeeded in expanding its client base and continued to provide a range of services to clients in different sectors. These business activities helped the Company generate sufficient revenue to meet its financial plan target.

Partnerships BC remains committed to building and retaining a staff complement that is highly skilled, has in-depth knowledge of both the public and private sectors, adaptable to a changing environment and responsive to the needs of its clients. One method of gathering employee

feedback is through the use of surveys, the results of which are used to continually improve employee engagement. For the B.C. Public Service Work Environment Survey, the Company achieved an overall score of 78. For the BC Business Magazine Best Companies to Work for in BC survey, the overall score was 4.18 out of five.

The Company continued to refine its performance management system and implement learning programs to ensure that employees have the opportunity to optimize their individual performance and reach their personal career goals. The Leadership Training and Development Program has been underway for two years now and forms part of the Company's human resources strategy, which is to invest five per cent of its total compensation budget for training and development in staff and enhance their leadership skills.



Clockwise from top left: Vernon Jubilee Hospital Patient Care Tower; site excavation for the Kelowna General Hospital Patient Care Tower; Kelowna General Hospital Patient Care Tower; University of British Columbia Clinical Academic Campus

Future Performance (Based on 2010-11 to 2012-13 Corporate Goals)⁴

GOAL 1 – Structure and implement public private partnership solutions which serve the public interest (60 per cent)

PERFORMANCE MEASURES	FUTURE PERFORMANCE		
	2010-11	2011-12	2012-13
• Public private partnership development agreements with the Province and/or other agencies	• Positive assessment by Board of Directors of engagements achieved	• Positive assessment by Board of Directors of engagements achieved	• Positive assessment by Board of Directors of engagements achieved
• Revenue growth	• 2%	• 4%	• 4%
• Bi-annual client survey results indicate Partnerships BC performance meets or exceeds client expectations	• Formal client feedback	• Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	• Anecdotal feedback
• Project milestones achieved	• Positive assessment by Board of Directors on project milestones achieved	• Positive assessment by Board of Directors on project milestones achieved	• Positive assessment by Board of Directors on project milestones achieved
• Publish project report or communications on all projects after financial close has been reached	• 100% documents published	• 100% documents published	• 100% documents published
• Publish fairness and probity opinions on projects where size and scope warrants fairness review	• 100% documents published	• 100% documents published	• 100% documents published

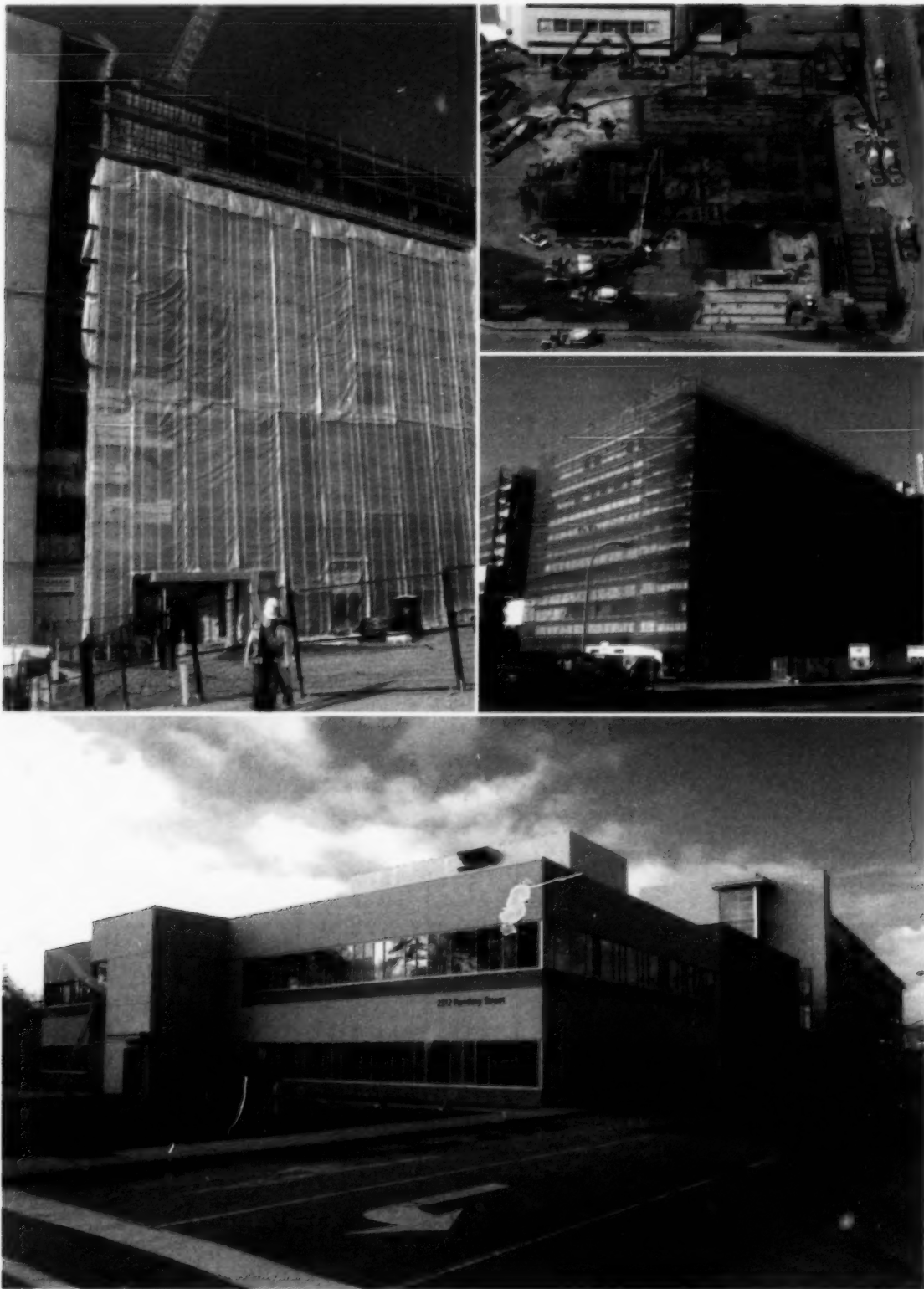
GOAL 2 – Encourage development of the public private partnership market in British Columbia (15 per cent)

PERFORMANCE MEASURES	FUTURE PERFORMANCE		
	2010-11	2011-12	2012-13
• New market participants in British Columbia	• Number of new or repeat market participants	• Number of new or repeat market participants	• Number of new or repeat market participants
• Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments	• Examples of projects utilizing best practices • Examples of Partnerships BC engagements with other governments	• Examples of projects utilizing best practices • Examples of Partnerships BC engagements with other governments	• Examples of projects utilizing best practices • Examples of Partnerships BC engagements with other governments
• Annual examples of synergies and process cost reductions	• Procurement benchmark 18 months from date of RFQ issuance to financial close	• Procurement benchmark 18 months from date of RFQ issuance to financial close	• Procurement benchmark 18 months from date of RFQ issuance to financial close
• External validation (e.g. awards, informed media coverage)	• Examples from third party validators	• Examples from third party validators	• Examples from third party validators

GOAL 3 – Remain commercially viable and increase productivity (25 per cent)

PERFORMANCE MEASURES	FUTURE PERFORMANCE		
	2010-11	2011-12	2012-13
• Meet budget	• Revenue either meets or exceeds expenses	• Revenue either meets or exceeds expenses	• Revenue either meets or exceeds expenses
• Minimize charge-out rates to clients	• 20% increase in charge-out rates	• No change in charge-out rates	• No change in charge-out rates
• Bi-annual employee satisfaction survey	• Meet or exceed industry standards, with minimum 85% employee satisfaction	• Meet or exceed industry standards, with minimum 85% employee satisfaction	• Meet or exceed industry standards, with minimum 85% employee satisfaction
• Targeted and relevant training	• 5% of compensation costs	• 5% of compensation costs	• 5% of compensation costs

⁴Partnerships BC has initiated a strategic review of the current service model as directed by the Shareholder



Clockwise from top left: Vernon Jubilee Hospital Patient Care Tower; site excavation for the Kelowna General Hospital Patient Care Tower; Kelowna General Hospital Patient Care Tower; University of British Columbia Clinical Academic Campus

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• Revenue growth	• 2%	• 4%	• 4%
• Bi-annual client survey results indicate Partnerships BC performance meets or exceeds client expectations	• Formal client feedback	• Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	• Anecdotal feedback
• Project milestones achieved	• Positive assessment by Board of Directors on project milestones achieved	• Positive assessment by Board of Directors on project milestones achieved	• Positive assessment by Board of Directors on project milestones achieved
• Publish project report or communications on all projects after financial close has been reached	• 100% documents published	• 100% documents published	• 100% documents published
• Publish fairness and probity opinions on projects where size and scope warrants fairness review	• 100% documents published	• 100% documents published	• 100% documents published

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	2010-11	2011-12	2012-13
• New market participants in British Columbia	• Number of new or repeat market participants	• Number of new or repeat market participants	• Number of new or repeat market participants
• Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments	• Examples of projects utilizing best practices • Examples of Partnerships BC engagements with other governments	• Examples of projects utilizing best practices • Examples of Partnerships BC engagements with other governments	• Examples of projects utilizing best practices • Examples of Partnerships BC engagements with other governments
• Annual examples of synergies and process cost reductions	• Procurement benchmark 18 months from date of RFQ issuance to financial close	• Procurement benchmark 18 months from date of RFQ issuance to financial close	• Procurement benchmark 18 months from date of RFQ issuance to financial close
• External validation (e.g. awards, informed media coverage)	• Examples from third party validators	• Examples from third party validators	• Examples from third party validators

GOAL 3 – Remain commercially viable and increase productivity (25 per cent)

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• Targeted and relevant training	• 5% of compensation costs	• 5% of compensation costs	• 5% of compensation costs

⁴Partnerships BC has initiated a strategic review of the current service model as directed by the Shareholder

Performance Measurement

In 2002-03, when Partnerships BC was first incorporated, an independent third party consulting firm was engaged to perform a review of internal performance measures for the Company based on other comparable public and private sector organizations. When the Company revised its business model in 2006-07, an independent third party consulting firm was again engaged to review the internal performance measures for the Company. On an annual basis, the Board reviews the performance measures and provides recommendations for change, if necessary.

Although the Canadian partnership market has been expanding over the last few years, there are no other agencies either nationally or internationally that are structured with the same service delivery model as Partnerships BC. Therefore, it is not possible to provide benchmark comparisons with other organizations.

Partnerships BC holds a unique place in the market, acting as both adviser to government and as the gateway to partnership opportunities for the business sector. Qualitative measures, such as those related to transparency and fairness, reflect the need to serve the public interest. Quantitative measures, such as standard measures of commercial viability, reflect the need to remain effective and efficient in operations. The performance measures and targets selected reflect the nature of the advisory services business model under which Partnerships BC operates and the maturity of the partnership market.

Partnerships BC is confident that the performance measures used are reliable, accurate and valid. The Company tracked data from a number of sources throughout 2009-10, including:

- The financial plan presented to the Board of Directors, which is benchmarked against comparable corporations;
- Project milestones and comparison of milestones achieved based on project plans;
- A knowledge management strategy was used to track and catalogue best practices and project precedents; and
- Information from client and employee satisfaction review processes.

The management team presented an operations report to the Board each quarter and tracked progress against the Service Plan and took corrective action as necessary to ensure it remained on-track to achieve its corporate goals.

Risk and Capacity Issues

Partnerships BC identified a number of risks and implemented mitigation strategies, as outlined below. With an increasing number of projects now under construction and approaching the operational stage, the Company is providing design, construction and operational advisory services to mitigate both project and reputation risks.

As a procurement agency, the most resource-intensive time for the Company is when projects are in the market. Therefore, the timing of project approvals and projects entering procurement continued to have the greatest impact on revenues for the Company.

RISK CATEGORY	DESCRIPTION	MITIGATION STRATEGIES
Scope of Business Focus and Client Base	Partnerships BC's client market and service offering is a relatively narrow business focus. If the partnership market weakened this could limit the ability of the Company to meet its financial targets and goals.	<ul style="list-style-type: none"> • Expanded potential client market to include other levels of government and other jurisdictions. • Consulted with government agencies to understand their infrastructure needs and identify project opportunities. • Worked with central agencies to ensure timely approval processes. • Diversified the range of partnership procurement models to better meet client needs. • Ensure that Partnerships BC's fee structure reflects a value for money proposition for clients. • Expanded services provided in planning/procurement/post-financial close.
Public Private Partnership Policy Environment	The policy environment continues to evolve (e.g. Capital Standard, Wood First Act).	<ul style="list-style-type: none"> • Worked with the Province to ensure the policy environment is compatible with partnership projects. • Worked with clients to ensure partnership projects are compatible with the Province's policy objectives.
Project Risks	Partnerships BC may experience problems or changes in the procurement, construction or operations phase of a partnership project.	<ul style="list-style-type: none"> • Participated on Project Boards for partnership projects. • Applied best practices in procurement: <ul style="list-style-type: none"> • Costing • Affordability • Evaluation • Governance • Developed and applied best practices in the post-financial close phase: <ul style="list-style-type: none"> • Provided advisory services during design and construction. • Provided advisory services during operations.

RISK CATEGORY	DESCRIPTION	MITIGATION STRATEGIES
Public Private Partnership Market Size and Capacity	<p>Partnership markets are continuing to grow, both internationally and within B.C. The Company may face challenges related to:</p> <ul style="list-style-type: none"> • Growth of partnership markets in competing jurisdictions. • General private sector interest in public private partnerships worldwide. • Development of public private partnership capacity within B.C., • Capacity and inflationary pressures in the construction sector in B.C., and • Population growth and demographic shifts that impact both the need for infrastructure and the ability to deliver. 	<ul style="list-style-type: none"> • Continued to develop relationships with partnership stakeholders and business partners. • Continued to develop consistent approaches to procurement to reduce transaction and bid costs to maintain an attractive partnership market in B.C. • Continued to share information with other provincial jurisdictions to broaden the Canadian partnership market and attract private sector participants. • Communicated with international partnership organizations to build on their experience. • Ensured rigorous project budgeting to address project risks such as construction cost escalation. • Assessed market interest in advance of project implementation to ensure the presence of a viable market. • Involved the academic community to analyze the B.C. project experience to further develop best practices.
High Interest Rates	<p>Lending rates are currently high by historical standards and projections are highly uncertain. The challenges include:</p> <ul style="list-style-type: none"> • Availability of capital for infrastructure projects. • Cost of capital, and • Fixed financial terms during the proposal evaluation and negotiation phase. 	<ul style="list-style-type: none"> • Remained highly informed on financial market conditions. • Assessed risk transfer in the areas of refinancing timing and benefit sharing. • Optimized the use of private capital with public funding to achieve risk transfer at minimal financing cost.
Reputation Risk	<p>Reputation is compromised when an organization's performance, ethics or experience with stakeholders suffers. Partnerships BC's ability to provide quality service to its clients and the wider partnership market is directly tied to the reputation of the Company and the demonstrable success of its projects.</p>	<ul style="list-style-type: none"> • Ensured a high level of disclosure and transparency. • Developed and implement communications strategies for partnership projects. • Developed and implement a proactive corporate stakeholder relations and communications strategy. • Applied communications best practices to all phases of projects. • Provided advisory services during the design, construction and operations phases of projects.
Internal Experience and Capacity	<p>Partnerships BC needs to balance service demand with its corporate capacity to ensure successful performance at both the project and organizational levels.</p>	<ul style="list-style-type: none"> • Continued the implementation of a human resources strategy that ensures professional staff develop the right mix of skills and expertise for the expected project flow and corporate responsibilities, and draw expertise from the public and private sectors. • Supported continuous learning and improvement, and targeted and relevant training. • Focused on the use and optimization of the knowledge management system to leverage experience. • Optimized staff retention and work to minimize personnel turnover. • Conduct external executive and staff compensation reviews every two years to benchmark against comparable public and private sector organizations. • Benchmark human resource strategies against comparable public and private sector organizations.
Management and Operational Risks	<p>Partnerships BC's ability to serve its clients is dependent upon its ability to harness and direct knowledge; therefore, the Company faces business risks related to information management.</p>	<ul style="list-style-type: none"> • Updated and improved management and financial information systems and related processes. • Addressed business disruption issues with the effective deployment of business continuity plans. • Worked to improve server performance and the implementation and management of back-up systems. • Addressed information systems related risks.

Progress Against Shareholder's Letter of Expectations

The three corporate goals of the Company are aligned to meet the direction from our Shareholder, the Minister of Finance. Below are the specific directions outlined in the January 2010 Shareholder's Letter of Expectations and Partnerships BC's actions in 2009-10.

SPECIFIC DIRECTION TO THE COMPANY	PARTNERSHIPS BC ACTIONS IN 2009-10
<ul style="list-style-type: none"> Assist the Province of British Columbia in meeting its infrastructure needs by providing innovation, leadership and expertise in public procurement. 	<ul style="list-style-type: none"> Concluded two procurements and issued two Requests for Proposals for transportation and health care projects Five partnership projects became operational providing much needed infrastructure in those communities
<ul style="list-style-type: none"> Support the Province in tackling the challenges of global warming and meeting its goal to lead the world in sustainable environment management by working together with provincial agencies and private sector partners to promote environmentally sensitive infrastructure development. 	<ul style="list-style-type: none"> Worked with clients to plan for, design and construct high value physical infrastructure that is consistent with the Province's high performance building policy and LEED® Gold certification Abbotsford Regional Hospital and Cancer Centre becomes the first acute care hospital to achieve LEED® Gold certification in Canada
<ul style="list-style-type: none"> Pursue public private partnership arrangements and alternative procurement arrangements on behalf of public sector clients that advance the public interest and where it can be demonstrated that such procurement arrangements will: meet specific public policy objectives; improve services; achieve environmental quality, energy efficiency and sustainability objectives; and achieve value for money. 	<ul style="list-style-type: none"> Made recommendations to government about the suitability of the partnership delivery model for infrastructure projects Worked with a variety of public sector clients to prepare business plans Worked with PPP Canada to identify opportunities to leverage funding
<ul style="list-style-type: none"> Provide expert services to the Provincial government and its agencies in the procurement of public private partnership projects—services ranging from advice to business transaction and procurement management, to overall project management of public private partnership projects. 	<ul style="list-style-type: none"> Engaged by a variety of public sector agencies to assist with business planning, procurement options assessment reviews, procurement manager/advisory services and post-financial close advisory services
<ul style="list-style-type: none"> Assist the Province in the application of the Capital Standard that requires public private partnerships to be the base case where the Province will be contributing more than \$50 million to the capital cost of the project. 	<ul style="list-style-type: none"> Direct involvement in all active partnership projects Performed early project screens and procurement options assessment review for clients Examples of best practices applied on projects
<ul style="list-style-type: none"> Continue to improve the efficiency and quality of delivery of public private partnership transactions. 	<ul style="list-style-type: none"> Updated procurement documents to reflect feedback from project teams and the partnership market Cross project meetings facilitate the continuous sharing of best practices
<ul style="list-style-type: none"> Continue to demonstrate transparent and competitive processes. 	<ul style="list-style-type: none"> Fairness advisers and conflict of interest adjudicators retained for projects throughout the competitive selection process Procurement documentation is publicly available Project reports are publicly available and summarize the results of the competitive selection process
<ul style="list-style-type: none"> Grow the public private partnership market in British Columbia, building a centre of expertise and excellence that will be recognized for innovation and performance. 	<ul style="list-style-type: none"> Positive local, national and international validation for both the Company and partnership projects Projects continue to attract local, national and international teams Received four national awards of recognition for innovation and excellence
<ul style="list-style-type: none"> Remain commercially viable on an ongoing basis by ensuring that Partnerships BC's revenues meet or exceed expenses.⁵ 	<ul style="list-style-type: none"> Achieved revised Shareholder financial plan target
<ul style="list-style-type: none"> Identify annual targets for the agency's productivity measures, where appropriate. 	<ul style="list-style-type: none"> Average annual utilization rate for projects—61% Average annual utilization rate for projects and government services contract—85% Average revenue per professional staff—\$241,000 Annual administrative expense ratio—24%

⁵The Company's revised financial plan target for 2009-10, as approved by the Shareholder, was revenues either meet or exceed expenses. Previously, the Shareholder had approved the Company's financial plan target as 12 per cent net income margin (pre-variable compensation).

SPECIFIC DIRECTION TO THE COMPANY	PARTNERSHIPS BC ACTIONS IN 2009-10
<ul style="list-style-type: none"> • Provide policy advice to the Shareholder on alternative procurement, public private partnerships and capital asset management when required. 	<ul style="list-style-type: none"> • All partnership projects using standard procurement documents and implementing Partnerships BC's best practices • Providing procurement advisory and management services for clients with projects that include a range of procurement delivery models
<ul style="list-style-type: none"> • Help make policy recommendations to Treasury Board concerning the agency's affordability best practices and temporary credit measures and comply with any related approval conditions. Partnerships BC must also work with Ministry of Finance to ensure that these best practices are aligned with the Capital Asset Management Framework (CAMF), which is currently being revised. 	<ul style="list-style-type: none"> • Core best practices related to affordability developed and implemented on current projects • Working with Provincial Treasury, the wide-equity financing structure was implemented on two health projects that reached a final agreement in 2009-10
<ul style="list-style-type: none"> • Review government's capital needs and identify any opportunities for Partnerships BC to expand its role in the planning and management of those capital projects that: <ul style="list-style-type: none"> • Use PPP and other procurement methods; and • Seek to meet government's energy needs in a more effective and efficient manner. 	<ul style="list-style-type: none"> • Initiated a strategic review of the current service model as directed by the Shareholder • Engaged with BC Hydro on a variety of energy projects that contribute to the Province's conservation and energy self-sufficiency goals • Engaged with the Climate Action Secretariat to explore opportunities for encouraging building retrofits to achieve greater energy efficiency

"We looked at a number of jurisdictions, and were particularly impressed by what British Columbia has done."

– Carlos M. Garcia, Chairman
Puerto Rico Public-Private Partnerships Authority

"Some of the myths surrounding public-private partnerships for infrastructure appear to be just that. P3s are not the privatization of public assets, and there is no evidence that service standards suffer under P3s."

– Gilles Rhéaume, Vice-President
The Conference Board of Canada
January 2010

Management's Discussion and Analysis

Overview

Partnerships British Columbia (Partnerships BC or the Company) is a company owned by the Province of British Columbia (the Province) and governed by a Board of Directors reporting to its Shareholder, the Minister of Finance. The Company's mandate is to evaluate, structure and implement partnership solutions which serve the public interest. The Company is committed to commercial viability, transparent operations and achieving wide recognition for its innovation, leadership and expertise in public procurement. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and educational facilities.

This Management's Discussion and Analysis (MD&A) of Partnerships BC is intended to be read in conjunction with the audited consolidated financial statements and accompanying notes. The results reported have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars. By fiscal year end March 31, 2012, the Company will have to use another accounting framework for reporting, either International Financial Reporting Standards (IFRS) or the Canadian Institute of Chartered Accountants Public Sector Accounting Board (PSAB) standards. The Company will make its decision on the most appropriate framework for it to use in 2010-11.

This MD&A also contains forward-looking statements, including statements regarding business and anticipated financial performance of the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause actual results or performance to differ materially from forecasted results expressed or implied.

Highlights

1. Achieved revised financial plan target—revenue either meets or exceeds expenses

Partnerships BC's net income was \$36,822 for the year ended March 31, 2010.

2. Strong balance sheet

Partnerships BC's unrestricted cash and cash equivalents increased to \$10,814,019 in 2009-10 compared to \$10,375,360 in 2008-09.

3. Projects which reached financial close

During the year, the following projects reached a final agreement:

- Fort St. John Hospital and Residential Care Project
- BC Cancer Agency Centre for the North

4. Projects in the market

During the year, the following projects were in the market:

- South Fraser Perimeter Road
- Surrey Memorial Hospital Redevelopment and Expansion: Emergency Department and Critical Care Tower

5. New Board members

Partnerships BC welcomed Brian Bentz and Peter Kappel as members of its Board of Directors.

Brian Bentz is semi-retired, but continues to work as a Consultant for AMEC in the Oil Sands and Mining Division, where he was President until this past year. Previously, Mr. Bentz was Executive Vice-President of AGRA Inc. Engineering Group, which was purchased by AMEC. Mr. Bentz sits on the Board of Directors for MacDonald, Dettwiler and Associates Ltd., Seaclyff Construction Corp and WDC Exploration & Wells Holding Corporation. He is also a member of the Board of Directors for the Canadian Council of Public-Private Partnerships and is a member of the BC Business Council Board of Governors. Mr. Bentz holds his Bachelor of Science from the University of British Columbia, is a member of the Institute of Chartered Accountants of BC, and completed the Canadian Institute of Chartered Accountants Management Course at the University of Western Ontario Business School.

Peter Kappel is the former Managing Director and Head of Securitisation with DVB Bank AG in London. Previously, he was the Managing Director and Co-Head of Securitisation and Transitional Debt Finance Group with Calyon (Credit Agricole), Managing Director and Head of European Securitisation Group with Dresdner Kleinwort Wasserstein, and Director and Head of Structured Finance with Nomura International, all based in London. Mr. Kappel is a regular speaker at ABS conferences in Europe and is a former executive committee member of the European Securitisation Forum Bond Market Association. He holds his Bachelor of Arts (Honours) in Economics from the University of Victoria and held his Chartered Accountant designation through the Institute of Chartered Accountants of BC.

6. Achievements and awards

The following projects received awards during the year:

- Canada Line Rapid Transit Project
- Sea-to-Sky Highway Improvement Project
- Golden Ears Bridge Project
- Royal Jubilee Hospital Patient Care Centre Project

Annual Financial Performance

Comparison of 2009-10 and 2008-09 Financial Performances

The 2009-10 audited financial statements include the accounts of Partnerships BC whereas the comparative audited consolidated financial statements (specifically the Statements of Cash Flows) include the accounts of Partnerships BC and its wholly-owned subsidiary, Abbotsford Regional Hospital and Cancer Centre Inc. (ARHCC).

At the conclusion of fiscal 2008-09, the Company had phased out all completion, milestone and performance fees from its engagement letters. Therefore, 2009-10 was the first fiscal year wherein the Company's business model was based solely on revenue from work fees and the government services contract.

The Province continued to face revenue pressures and risks in 2009-10. The economic downturn impacted the availability of funds for the development of business cases, the timing of project approvals and projects entering procurement; consequently, Partnerships BC experienced a decline in work fee revenues, especially in the first two quarters of 2009-10. However, work fees increased in the second half of 2009-10 as a result of projects in procurement. Going forward, Partnerships BC expects several projects to enter the procurement phase in 2010-11 and there are also a number of projects in the business case phase.

The Company had consolidated revenues of \$7,973,268 in 2009-10 compared to \$10,152,841 in 2008-09, resulting in a decrease of 22 per cent. As a result, net income for 2009-10 was \$36,822 compared to \$2,076,584 in 2008-09. The decrease in consolidated revenues and net income was largely attributable to the following: fewer projects in procurement and reaching a final agreement, and the \$1,000,000 completion fee received from the Ministry of Health Services when ARHCC reached substantial completion on May 6, 2008. There is a direct correlation between the number of projects in procurement and reaching a final agreement and work fee revenues. In 2009-10, there were two projects, the Fort St. John Hospital and Residential Care Project and BC Cancer Agency Centre for the North, which reached a final agreement compared to five in 2008-09. In addition to the above, Partnerships BC also generated revenues from the following projects in procurement: South Fraser Perimeter Road and Surrey Memorial Hospital Redevelopment and Expansion: Emergency Department and Critical Care Tower.

The table below presents a comparison of selected income statement items of the current fiscal year with those of the previous fiscal year.

			(% of revenues)	
	2010	2009	2010	2009
Revenues	\$ 7,973,268	\$ 10,152,841		
Project recoveries	4,628,114	6,685,642	58.0%	65.8%
Project expenses	4,628,114	6,685,642	58.0%	65.8%
Salaries and benefits	6,044,720	5,976,366	75.8%	58.9%
General and administrative expenses	1,719,568	1,847,989	21.6%	18.2%
Amortization	172,158	251,902	2.2%	2.5%
Net income for the year	\$ 36,822	\$ 2,076,584	0.5%	20.5%

Consolidated Revenues

The table below provides details of the Company's revenues by category.

			(% of revenues)	
	2010	2009	2010	2009
Work fees	\$ 6,651,963	\$ 6,956,812	83%	69%
Completion and milestone fees	-	1,000,000	0%	10%
Provincial government revenue	1,230,000	1,966,000	15%	19%
Other revenue	91,305	230,029	1%	2%
	\$ 7,973,268	\$ 10,152,841	100%	100%

Consolidated revenues for the year ended March 31, 2010 were \$7,973,268 of which \$6,651,963 was from work fees and \$1,230,000 was from the government services contract. In comparison, consolidated revenues for the year ended March 31, 2009 were \$10,152,841 of which \$6,956,812 was from work fees, \$1,000,000 was from completion and milestone fees and \$1,966,000 was from the government services contract.

Partnerships BC's work fees decreased by \$304,849 as a result of delays in the commencement of project business cases which led to a reduced number of projects entering the procurement phase and reaching financial close. As well, there was a decrease of \$736,000 in revenue from the government services contract.

Going forward, Partnerships BC's 2010-11 Service Plan anticipates that the Company will meet its revenue growth target with the same business model and employing approximately 40 full-time equivalent (FTEs) employees and contractors. For the first time, revenue growth will be based entirely on work fees and other sources—there will be no revenue associated with the government services contract. However, the Company is still required to provide advisory services, policy development and best practices associated with the government services contract. Therefore, in 2010-11 Partnerships BC fees are being increased to ensure the continued delivery of services under the government services contract while allowing the Company to fully recover service delivery costs from its clients and achieve self-sufficiency. This fee increase is the first since hourly fees were introduced in 2004-05.

The table below provides changes to the Company's revenues by category.

	2010	2009	Change	%
Work fees	\$ 6,651,963	\$ 6,956,812	\$ (304,849)	-4.4%
Completion and milestone fees	-	1,000,000	(1,000,000)	-100.0%
Provincial government revenue	1,230,000	1,966,000	(736,000)	-37.4%
Other revenue	91,305	230,029	(138,724)	-60.3%
	\$ 7,973,268	\$ 10,152,841	\$ (2,179,573)	-21.5%

Work Fees

Work fees typically reflect the cost of providing services and are not directly related to milestone events or performance.

Work fees were recognized from a number of provincial government ministries, Crown corporations and non-ministry sources. In 2009-10, Partnerships BC's clients included:

- Ministry of Health Services and provincial health authorities
- Ministry of Transportation and Infrastructure
- Ministry of Labour and Citizens' Services
- Ministry of Education
- British Columbia vocational institutes
- British Columbia municipalities
- British Columbia Crown corporations
- Other provincial governments
- Government of Canada

The table below provides details of the Company's work fees by sector.

	2010	2009	(% of revenues)	
			2010	2009
Ministry of Health Services and provincial health authorities	\$ 2,205,279	\$ 2,948,454	33.2%	42.4%
Ministry of Transportation and Infrastructure	1,475,085	1,196,532	22.2%	17.2%
Ministry of Labour and Citizens' Services	472,888	426,005	7.1%	6.1%
Ministry of Education	314,745	176,815	4.7%	2.5%
British Columbia Crown corporations	462,895	177,980	7.0%	2.6%
British Columbia vocational institutes	301,180	741,944	4.5%	10.7%
Other provincial governments	215,305	220,395	3.2%	3.2%
Government of Canada	706,284	614,976	10.6%	8.8%
Others	498,302	453,711	7.5%	6.5%
	\$ 6,651,963	\$ 6,956,812	100.0%	100.0%

Completion and Milestone Fees

Completion and milestone fees are recognized when the services rendered under contracts are completed or the milestones are achieved, dependent upon the performance review by the client.

As previously reported, there were no completion and milestone fees earned in 2009-10.

A milestone fee of \$1,000,000 was recognized for the year ended March 31, 2009. This fee represented deferred revenue payable by the Ministry of Health Services when ARHCC reached substantial completion on May 6, 2008.

The table below provides details of the Company's completion and milestone fees by sector.

			(% of revenues)	
	2010	2009	2010	2009
Ministry of Health Services and provincial health authorities	\$ -	\$ 1,000,000	0.0%	100.0%
	\$ -	\$ 1,000,000	0.0%	100.0%

Provincial Government Revenue

Under the terms of the government services contract, the Province provides the Company with an annual payment for a variety of services, including:

- Developing the partnership market for British Columbia projects,
- Assisting agencies in identifying and assessing PPP opportunities,
- Providing policy expertise,
- Developing best practices for partnership projects and alternative procurement methods,
- Exploring opportunities in other jurisdictions to expand the application of best practices across Canada, and
- Providing other advisory and consulting services directly to the Province and/or organizations on an ongoing basis whose costs are not attributable to a specific project.

This revenue was recognized on a monthly basis.

Other services provided to the Province which are not covered under the government services contract are completed under separate negotiated contracts. The revenue earned from these contracts was recorded under work fees.

The original government services contract, which ended on March 31, 2008, was renewed and will expire on March 31, 2011. Under the provisions of the new agreement, the term will be automatically renewed for successive periods of one year each unless either party gives at least 90 days

prior written notice of non-renewal to the other. In addition, at any time during the term, either party may terminate the agreement by giving not less than six months prior written notice of termination to the other party, in which case the agreement will terminate on the effective date of the notice.

Provincial government revenue for these services was \$1,230,000 in 2009-10 compared to \$1,966,000 in 2008-09.

Project Recoveries

Project recoveries represent reimbursable project expenses such as legal, financial, consulting and other fees that are normally recovered directly from the project. For the year ended March 31, 2010, project recoveries were \$4,628,114 compared to \$6,685,642 for the year ended March 31, 2009. The decrease in project recoveries was due to the reduced number of projects in procurement and reaching financial close and projects entering the market during the year. It was also due to the updates and completion of procurement documents and best practices which reduced procurement costs for external advisers.

Other Revenue

Other revenue consists of interest income earned on surplus cash. For the year ended March 31, 2010, other revenue was \$91,305 compared to \$230,029 for the year ended March 31, 2009. The decrease was due to the significant decline in interest rates on term deposits, money market instruments and Canadian government securities.

Comparison to Budget

The table below provides details of the Company's actual and budgeted revenues for 2009-10.

	2010 Actual	2010 Budget	Change	%
Work fees	\$ 6,651,963	\$ 8,067,600	\$ (1,415,637)	-17.5%
Provincial government revenue	1,230,000	1,640,000	(410,000)	-25.0%
Other revenue	91,305	161,000	(69,695)	-43.3%
	\$ 7,973,268	\$ 9,868,600	\$ (1,895,332)	-19.2%

For the year ended March 31, 2010, gross revenues were 19 per cent below budget. The Company's overall utilization rate was 61 per cent for projects (excluding work performed under the government services contract). The budgeted utilization rate for projects for 2009-10 was 66 per cent. Gross revenues and utilization rates were below budget primarily due to the delays in commencement of project business cases, timing of project approvals and projects entering procurement. Partnerships BC's business model is one which is heavily reliant on the timing of project approvals and the availability of professional staff with partnership experience to resource projects in the business case, procurement or implementation phase.

The reduced work fees also contributed to a reduction in Partnerships BC's requirement to resource those projects, thus leading to a decline in total expenses. Compensation costs and administration costs were 16 per cent and nine per cent below budget respectively. More detailed explanations are provided below.

Expenses

The table below provides details of the Company's operating expenses for 2009-10 and 2008-09.

	2010	2009	Change	%
Salaries and benefits	\$ 6,044,720	\$ 5,976,366	\$ 68,354	1.1%
General and Administrative Expenses				
Administration	331,406	341,831	(10,425)	-3.0%
Building occupancy	566,361	534,563	31,798	5.9%
Communications	6,376	49,468	(43,092)	-87.1%
Information systems	269,840	215,693	54,147	25.1%
Professional services	391,769	427,506	(35,737)	-8.4%
Travel	153,816	278,928	(125,112)	-44.9%
Amortization	172,158	251,902	(79,744)	-31.7%
	\$ 1,891,726	\$ 2,099,891	\$ (208,165)	-9.9%
Total Operating Expenses	\$ 7,936,446	\$ 8,076,257	\$ (139,811)	-1.7%
% of expenses over revenues	99.5%	79.5%		
% of general and administrative expenses over revenues	23.7%	20.7%		

For the year ended March 31, 2010, there was a decrease in operating expenses of \$139,811 or two per cent compared to last year. The decrease was primarily attributable to the following:

- Administration
- Communications
- Professional fees
- Travel

The decrease in administration costs of \$10,425 was attributable to decreases in the following areas:

- Reduced number of business meetings due to the increased use of the Company's video and teleconference facilities,
- Decrease in the number of journal subscriptions, and
- Improved recoverability of direct administrative expenses from projects in procurement.

The decrease in communications costs of \$43,092 was attributable to the reduced reliance on external consultants as the Company had sufficient internal resources to complete its planned initiatives in 2009-10.

The decrease in professional fees of \$35,737 was also due to reduced reliance on external consultants to complete its initiatives in 2009-10. In addition, there were certain initiatives which were not undertaken as a result of the Company's efforts to reduce its operating expenditures in 2009-10.

Travel costs were \$153,816 in 2009-10 compared to \$278,928 in 2008-09 resulting in a decrease of \$125,112. This was primarily due to the Company's efforts to reduce its operating expenditures in 2009-10. The Company has a travel policy which requires all travel to be recoverable from projects or from conferences and failing that, to be pre-approved by senior management. In addition, attendance at conferences where the organizer does not pay for Partnerships BC's representative to attend is only approved where there are significant professional development benefits.

The Company entered into a new Vancouver office lease when its current lease expired on October 31, 2009. The new lease has a base rent of \$25 per square foot. The increase in the base rent, together with the increases in operating costs for both Victoria and Vancouver offices, contributed to an increase in building occupancy costs.

The increase in information systems expenses of \$54,147 was due to the reclassification of software licensing costs which were previously recorded as amortization expenses. This reclassification also explains the significant decrease in amortization expenses of \$79,744.

Even though there was an increase in salaries and benefits of \$68,354, overall, there was a decrease of \$1,149,955 in comparison to budget. This was mainly attributable to the timing of the hiring of employees and consultants required to resource existing projects and new work and was in line with the Company's strategy to resource projects with existing resources before contracting with consultants or hiring a full-time employee.

Partnerships BC recognizes that a key component of an effective compensation philosophy is the need to maintain a meaningful degree of competitiveness with the relevant external labour market. Partnerships BC regularly engages a compensation consultant to review its compensation philosophy and ranges. The next compensation review is scheduled for 2010-11.

Comparison to Budget

The table below provides details of the Company's actual and budgeted expenses for 2009-10.

	2010 Actual	2010 Budget	Change	%
Salaries and benefits	\$ 6,044,720	\$ 7,194,675	\$ (1,149,955)	-16.0%
General and Administrative Expenses				
Administration	331,406	378,300	(46,894)	-12.4%
Building occupancy	566,361	567,596	(1,235)	-0.2%
Communications	6,376	48,000	(41,624)	-86.7%
Information systems	269,840	222,000	47,840	21.5%
Professional services	391,769	380,000	11,769	3.1%
Travel	153,816	241,000	(87,184)	-36.2%
Amortization	172,158	230,576	(58,418)	-25.3%
	\$ 1,891,726	\$ 2,067,472	\$ (175,746)	-8.5%
	\$ 7,936,446	\$ 9,262,147	\$ (1,325,701)	-14.3%
% of expenses over revenues	99.5%	93.9%		
% of general and administrative expenses over revenues	23.7%	21.0%		

Salaries and benefits for the year ended March 31, 2010 were under budget by \$1,149,955. The Company had budgeted for a full complement of staff, which included new hires for vacant positions and timely replacement of employees who left or retired from Partnerships BC. Although the budget was for 44.95 FTEs, Partnerships BC had 41.33 FTEs in 2009-10. The Company did not fully replace all its departed employees; instead, the Company promoted from within and contracted with individuals who were Project Directors and Senior Consultants with public private partnership and project management experience to provide short-term project resources.

Administration costs for the year ended March 31, 2010 were under budget by \$46,894. This was largely due to the reduced business meeting expenses as a result of the increased use of the Company's video and teleconference facilities and improved recoverability of direct project expenses.

Communications expenses for the year ended March 31, 2010 were under budget by \$41,624 as the Company did not completely utilize its communications consultants' budget, as there were sufficient internal resources to complete the required communication deliverables in 2009-10.

Information systems for the year ended March 31, 2010 were over budget by \$47,840 as a result of the reclassification of software licence costs which were previously recorded as amortization expenses to information systems. This also explains the increase in amortization costs by \$58,418.

Travel expenses for the year ended March 31, 2010 were under budget by \$87,184 mainly due to the Company's efforts to reduce its operating expenditures. The Company continued to implement its travel policy which requires all travel to be recoverable from projects or from conferences and failing that, to be pre-approved by senior management. In addition, attendance at conferences where the organizer does not pay for Partnerships BC's representative to attend is only approved where there are significant professional development benefits.

Total expenses for the year ended March 31, 2010 as a percentage of revenues were 99.5 per cent compared to the budget of 93.9 per cent, essentially the result of revenue from the government services contract being less than budget. General and administrative expenses for the year ended March 31, 2010 as a percentage of revenues were slightly above budget expectations, 23.7 per cent versus 21 per cent.

Balance Sheet

The table below presents a comparison of selected balance sheet items of the current fiscal year with those of the previous fiscal year. The Audited Consolidated Financial Statements as at March 31, 2009 do not include the accounts of ARHCC because on May 6, 2008, ownership of ARHCC was transferred to Fraser Health Authority (FHA) and Provincial Health Services Authority (PHSA) as the organizations overseeing the operations of the hospital and cancer centre.

	2010	2009	Change	%
Cash and cash equivalents	\$ 10,814,019	\$ 10,375,360	\$ 438,659	4.2%
Accounts receivable	2,907,116	3,739,248	(832,132)	-22.3%
Other assets	328,574	414,767	(86,193)	-20.8%
Total assets	14,049,709	14,529,375	(479,666)	-3.3%
Accounts payable and accrued liabilities	1,778,575	2,295,063	(516,488)	-22.5%
Total liabilities	1,778,575	2,295,063	(516,488)	-22.5%
Total Shareholder's Equity	\$ 12,271,134	\$ 12,234,312	\$ 36,822	0.3%

Cash and cash equivalents increased by \$438,659 from \$10,375,360 as at March 31, 2009 to \$10,814,019 as at March 31, 2010. The breakdown in cash and cash equivalents as at March 31, 2010 was as follows: \$6,800,002 in cash and \$4,014,017 in short-term investments. In comparison, the breakdown in cash and cash equivalents as at March 31, 2009 was as follows: \$9,861,983 in cash and \$513,377 in investments. The increase in cash was due to the improved working capital requirements (collection of accounts receivable net of payments for accounts payable and accrued liabilities).

Accounts receivable decreased by \$832,132 from \$3,739,248 as at March 31, 2009 to \$2,907,116 as at March 31, 2010. The accrued work fees and recoverable costs at year-end were lower in comparison to previous year's as the Company's policy is to invoice for work fees and recoverable costs as they arise. In addition, the weighted average number of days outstanding was 15 days which contributed to the decrease in accounts receivable. This was in line with the Company's requirement to meet its weighted average number of days outstanding benchmark of 40 days.

There were no significant changes to other current assets. Amortization expense was \$172,158, net of \$41,647 in capital assets additions, which was under budget in comparison to the Company's approved capital expenditures budget.

Liabilities and Shareholder's Equity

Accounts payable and accrued liabilities decreased by \$516,488 from \$2,295,063 as at March 31, 2009 to \$1,778,575 as at March 31, 2010. The decrease in accounts payable and accrued liabilities directly corresponds to the decrease in accrued receivables.

The increase in Shareholder's Equity was attributable to the net income for the year. Similar to the previous year, the Company's Shareholder has approved Partnerships BC retaining its earnings.

Statements of Cash Flows

Liquidity and capital resources

The table below presents a comparison of the Company's cash and cash equivalents for the current fiscal year with that of the previous fiscal year.

	2010	2009	Change
Cash and cash equivalents, beginning of year	\$ 10,375,360	\$ 54,393,982	\$ (44,018,622)
Cash provided by (used by):			
Operating activities	480,306	1,926,918	(1,446,612)
Investing activities	(41,647)	(221,118)	179,471
Financing activities	-	(45,724,422)	45,724,422
Cash and cash equivalents, end of year	\$ 10,814,019	\$ 10,375,360	\$ 438,659

Cash flow from operating activities

Cash flow from operating activities was \$480,306 in 2009-10 in comparison to \$1,926,918 in 2008-09, a decrease of \$1,446,612. Net income in 2009-10 was \$36,822 in comparison to \$2,076,584 in 2008-09. This difference, net of an increase in working capital of \$593,150, contributed to the decrease in cash flow from operating activities.

Cash flow from investing activities

Cash used in investing activities was \$41,647 in comparison to \$221,118 in 2008-09, for an increase of \$179,471. The Company did not fully utilize its 2009-10 capital budget because it decided to postpone its capital hardware evergreen initiative due to delays by a software licensing company in rolling out their new operating system and suite of Office products. Going forward, capital hardware expenditures are expected to increase as the Company has budgeted to complete its evergreen initiatives which include replacing its desktops and certain laptops in 2010-11.

Cash flow from financing activities

Cash flow used in financing activities was nil in comparison to \$45,724,422 in 2008-09, an increase of \$45,724,422. The change was primarily attributable to the transfer of the common shares of ARHCC to FHA and PHSA on May 6, 2008 which required the Company to transfer the restricted cash to FHA and PHSA.

The table below presents a comparison of the Company's working capital position for the current fiscal year with that of the previous fiscal year.

	2010	2009	Change
Cash and cash equivalents	\$ 10,814,019	\$ 10,375,360	\$ 438,659
Accounts receivable	2,907,116	3,739,248	(832,132)
Other current assets	70,565	26,247	44,318
	13,791,700	14,140,855	(349,155)
Accounts payable and accrued liabilities	1,778,575	2,295,063	(516,488)
Net working capital	\$ 12,013,125	\$ 11,845,792	\$ 167,333

As at March 31, 2010, the Company's principal sources of liquidity include cash and cash equivalents of \$10,814,019 and accounts receivable of \$2,907,116. The Company also has \$1,778,575 in accounts payable and accrued liabilities due next year.

Commitments

The Company is committed to payments under operating leases for premises through 2014-15 as follows:

Year	Amount
2011	\$ 558,387
2012	558,387
2013	460,661
2014	390,857
2015	228,000
	<u>\$ 2,196,292</u>

Selected Annual Information

The following table presents selected financial information for the years ended March 31, 2010, 2009 and 2008.

	2010	2009	2008
Total revenues	\$ 7,973,268	\$ 10,152,841	\$ 9,176,581
Total operating expenses	\$ 7,936,446	\$ 8,076,257	\$ 7,900,378
Net income	\$ 36,822	\$ 2,076,584	\$ 1,276,203
Total current assets	\$ 13,791,700	\$ 14,140,855	\$ 66,084,371
Total assets	\$ 14,049,709	\$ 14,529,375	\$ 480,876,808
Total current liabilities	\$ 1,778,575	\$ 2,295,063	\$ 3,288,165
Total liabilities	\$ 1,778,575	\$ 2,295,063	\$ 468,150,980

The total current assets, total assets, total current liabilities and total liabilities for 2009-10 and 2008-09 were significantly different from 2007-08 as a result of the transfer of the common shares of ARHCC to FHA and PHSA on May 6, 2008.

Outlook for Fiscal 2010-11

Partnerships BC undertakes the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services and capital. Looking forward to 2010-11, Partnerships BC will continue to evaluate, structure and implement public private partnerships which serve the public interest. The Capital Standard policy together with projects expected to enter the market in the health, transportation and accommodation sectors, new and existing clients and other provincial governments and the Government of Canada, should enable Partnerships BC to meet its revenue growth and net income margin targets as outlined in its 2010-11 to 2012-13 Service Plan. A copy of the Service Plan can be found on Partnerships BC's website at www.partnershipsbcc.ca.

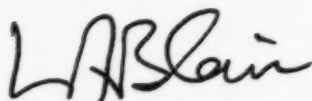
Management Report

The consolidated financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2010, have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated financial statements present fairly the financial position of Partnerships British Columbia Inc. as at March 31, 2010.

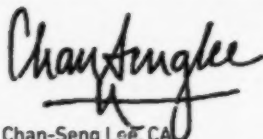
Management is responsible for the preparation of the consolidated financial statements and has established a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors carries out its responsibility for the review of the consolidated financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board.

BDO Dunwoody LLP has performed an independent audit of the consolidated financial statements of Partnerships British Columbia Inc. The Auditors' report outlines the scope of their examination and expresses an opinion on the consolidated financial statements of Partnerships British Columbia Inc.



Larry Blain
President and Chief Executive Officer
Partnerships British Columbia Inc.



Chan-Seng Lee, CA
Vice President, Finance and Administration
Partnerships British Columbia Inc.



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Auditors' Report

To the Board of Directors and Shareholder of Partnerships British Columbia Inc.

We have audited the Consolidated Balance Sheets of Partnerships British Columbia Inc. as at March 31, 2010 and 2009 and the Consolidated Statements of Income and Retained Earnings and Cash Flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
April 16, 2010

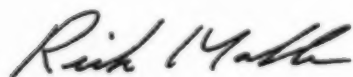
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PARTNERSHIPS BRITISH COLUMBIA INC.

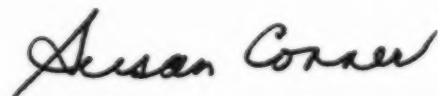
Consolidated Balance Sheets as at March 31

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	\$ 10,814,019	\$ 10,375,360
Accounts receivable	2,907,116	3,739,248
Other current assets	<u>70,565</u>	<u>26,247</u>
Total current assets	13,791,700	14,140,855
Property and equipment (Note 5)	<u>258,009</u>	<u>388,520</u>
Total assets	<u>\$ 14,049,709</u>	<u>\$ 14,529,375</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

APPROVED ON BEHALF OF THE BOARD


 R.T. Mahler, Director



 S. Conner, Director

PARTNERSHIPS BRITISH COLUMBIA INC.

Consolidated Balance Sheets as at March 31

	<u>2010</u>	<u>2009</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 1,778,575</u>	<u>\$ 2,295,063</u>
SHAREHOLDER'S EQUITY		
Share capital		
Authorized 5,000,000 common shares, no par value		
Issued 2 common shares	2	2
Contributed surplus (Note 6)	4,584,626	4,584,626
Retained earnings	<u>7,686,506</u>	<u>7,649,684</u>
Total Shareholder's Equity	<u>12,271,134</u>	<u>12,234,312</u>
Total liabilities and Shareholder's Equity	<u>\$ 14,049,709</u>	<u>\$ 14,529,375</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Consolidated Statements of Income and Retained Earnings for the Years Ended March 31

	2010	2009
REVENUES		
Fees for services	\$ 6,651,963	\$ 7,956,812
Provincial government revenue	1,230,000	1,966,000
Other revenue	91,305	230,029
	<u>7,973,268</u>	<u>10,152,841</u>
EXPENSES		
Operating expenses		
Administration	331,406	341,831
Amortization	172,158	251,902
Building occupancy	566,361	534,563
Communications	6,376	49,468
Information systems	269,840	215,693
Professional services	391,769	427,506
Salaries and benefits	6,044,720	5,976,366
Travel	153,816	278,928
	<u>7,936,446</u>	<u>8,076,257</u>
Total operating expenses		
	<u>7,936,446</u>	<u>8,076,257</u>
Operating income	36,822	2,076,584
Project recoveries	4,628,114	6,685,642
Project expenses (Note 7)	4,628,114	6,685,642
	<u>-</u>	<u>-</u>
Net income	36,822	2,076,584
Retained earnings, beginning of year	7,649,684	5,573,100
Retained earnings, end of year	<u>\$ 7,686,506</u>	<u>\$ 7,649,684</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Consolidated Balance Sheets as at March 31

	<u>2010</u>	<u>2009</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,778,575	\$ 2,295,063
SHAREHOLDER'S EQUITY		
Share capital		
Authorized 5,000,000 common shares, no par value		
Issued 2 common shares	2	2
Contributed surplus (Note 6)	4,584,626	4,584,626
Retained earnings	7,686,506	7,649,684
Total Shareholder's Equity	<u>12,271,134</u>	<u>12,234,312</u>
Total liabilities and Shareholder's Equity	<u>\$ 14,049,709</u>	<u>\$ 14,529,375</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Consolidated Statements of Income and Retained Earnings for the Years Ended March 31

	2010	2009
REVENUES		
Fees for services	\$ 6,651,963	\$ 7,956,812
Provincial government revenue	1,230,000	1,966,000
Other revenue	91,305	230,029
	<u>7,973,268</u>	<u>10,152,841</u>
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Operating income	36,822	2,076,584
Project recoveries	4,628,114	6,685,642
Project expenses (Note 7)	<u>4,623,114</u>	<u>6,685,642</u>
	<u>-</u>	<u>-</u>
Net income	36,822	2,076,584
Retained earnings, beginning of year	<u>7,649,684</u>	<u>5,573,100</u>
Retained earnings, end of year	<u>\$ 7,686,506</u>	<u>\$ 7,649,684</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

Consolidated Statements of Cash Flows for the Years Ended March 31

	2010	2009
Operating activities		
Net income	\$ 36,822	\$ 2,076,584
Add non – cash item:		
Amortization	172,158	251,902
	208,980	2,328,486
Changes in working capital items:		
Accounts receivable	832,132	(625,199)
Other current assets	(44,318)	9,671
Accounts payable and accrued liabilities	(516,488)	213,960
Cash provided by operating activities	480,306	1,926,918
Investing activities		
Purchase of property and equipment	(41,647)	(221,118)
Cash used by investing activities	(41,647)	(221,118)
Financing activities		
Transfer of restricted cash and short-term investments – hospital	-	(45,724,422)
Cash provided (used) by financing activities	-	(45,724,422)
Increase (decrease) in cash and cash equivalents	438,659	(44,018,622)
Cash and cash equivalents, beginning of year	10,375,360	54,393,982
Cash and cash equivalents, end of year	\$ 10,814,019	\$ 10,375,360

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

Notes to Consolidated Financial Statements

For the Years Ended March 31, 2010 and 2009

1. Nature of Business

Partnerships British Columbia Inc. (Partnerships BC or the Company) is a company owned by the Province of British Columbia (the Province) and governed by a Board of Directors reporting to its Shareholder, the Minister of Finance. The Company's mandate is to evaluate, structure and implement partnership solutions which serve the public interest. The Company is committed to commercial viability, transparent operations and achieving wide recognition for its innovation, leadership and expertise in public procurement. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and educational facilities.

The Company's core business is to:

- Provide specialized services to the Province and its agencies in the procurement of major public projects, ranging from advice to business transaction, procurement management and implementation;
- Provide advice to the Province and its agencies on public private partnership project management, deal structure, risk management, procurement and the selection and engagement of consultants;
- Foster a positive business and policy environment for successful public private partnerships and related activities by continually expanding British Columbia's base of knowledge, understanding and expertise in these emerging areas;
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Company's clients are public sector agencies, including ministries, Crown corporations and local authorities such as regional health authorities. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

The Company's former wholly-owned subsidiary, Abbotsford Regional Hospital and Cancer Centre Inc. (ARHCC) (formerly Abbotsford Hospital and Cancer Centre Inc.) was incorporated under the Company Act on September 2, 2003 to enter into a public private partnership as the public sector partner for the building and operation of a hospital and cancer centre in Abbotsford, British Columbia. ARHCC is classified as a not-for-profit organization under Section 149(1)(l) of the Income Tax Act. Pursuant to the ARHCC Share Transfer Agreement, on May 6, 2008, the Company transferred the common shares of ARHCC to the Fraser Health Authority (FHA) and the Provincial Health Services Authority (PHSA).

2. Summary of Significant Accounting Policies

These Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Significant accounting policies are as follows:

a. Principles of Consolidation

The comparative figures include the results of ARHCC to the date of transfer to FHA and PHSA on May 6, 2008. All intercompany transactions and balances have been eliminated on consolidation.

b. Short-Term Investments

Short-term investments comprise of highly liquid investments such as the Province of British Columbia Pooled Investment Portfolios, term deposits, money market instruments and Canadian government securities with maturities of 90 days or less from date of purchase. Short-term investments are classified as held-for-trading financial instruments in accordance with the requirements of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, "Financial Instruments", adopted by the Company on April 1, 2007. These investments are recorded at fair value with unrealized gains and losses being recorded in income in the current period.

c. Property and Equipment

Property and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following annual rates:

• Computer software	2 years
• Computer hardware	3 years
• Furniture and equipment	5 years
• Leasehold improvements	5 years
• Knowledge management	2 years
• Website development	3 years

d. Impairment of Long-Lived Assets

Long-lived assets are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. When events or circumstances indicate that the carrying amount of long-lived assets, other than indefinite life intangibles, are not recoverable, the long-lived assets are tested for impairment by comparing the estimate of future expected cash flows to the carrying amount of the assets or groups of assets. If the carrying value is not recoverable from future expected cash flows, any loss is measured as the amount by which the asset's carrying value exceeds fair value and recorded in the period. Recoverability is assessed relative to undiscounted cash flows from the direct use and disposition of the asset or group of assets.

Indefinite life intangible assets are subjected to impairment tests on an annual basis or when events or circumstances indicate a potential impairment. If the carrying value of such assets exceeds the fair values, the assets are written down to fair value.

e. Federal and Provincial Taxes

Partnerships BC is exempt from corporate income taxes; however, it is subject to the Goods and Services Tax (GST).

f. Revenue Recognition

Project Recoveries

Reimbursements of eligible expenses are recognized in the period the expenses are incurred.

Fees for Services

The Company provides professional services under fee for service, cost based and fixed price contracts. Work-in-progress is valued at estimated net realizable value. Under level of effort contracts, revenue is recognized as services are provided. For cost based contracts, revenue is recorded as reimbursable costs are incurred. Revenue from fixed price contracts is recorded using the percentage-of-completion method whereby revenue and profit are based on a ratio of costs incurred to total estimated costs of the projects. Losses, if any, on fixed price contracts would be recognized during the period they are identified. The Company recognizes revenue when persuasive evidence of an agreement exists, the terms are fixed or determinable, services are performed and collection is probable.

g. Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on information available. Such estimates and assumptions may affect the reported amounts of accounts receivable, accounts payable and accrued liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual amounts could differ from those estimates. Transactions requiring significant degrees of estimation include useful lives of capital assets and percentage of completion on contracts.

h. Comprehensive Income and Equity

The Company does not follow any accounting principles that would create other comprehensive income.

i. Financial Instruments

The Company follows the CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement".

Section 3855 established standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives, to be recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of a financial instrument or non-derivative contract. All financial instruments are measured at fair value on initial recognition, and measurement in subsequent periods is dependent on their classification as described below.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The standards require that all financial instruments be classified as either held-for-trading, available for sale, held-to-maturity, loans and receivables or as other financial liabilities.

The Company's financial assets and financial liabilities are classified and measured as follows:

FINANCIAL ASSET/LIABILITY	CATEGORY	MEASUREMENT
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Financial assets and financial liabilities held for trading are measured at fair value at the balance sheet date. Changes in the fair value of financial instruments classified as held for trading are included in income for the period.

j. New Accounting Pronouncements

A recent accounting pronouncement that has been issued but is not yet effective, and has a potential implication for the Company, is as follows:

Future Accounting Framework

In December 2009, the CICA's Public Sector Accounting Board (PSAB) discontinued the category of government business-type organization that allowed the Company to report using Canadian GAAP rules for private companies. By the Company's fiscal year ended March 31, 2012 the Company will have to use another accounting framework for reporting – either International Financial Reporting Standards (IFRS) or the PSAB standards themselves. The Company will make its decision on the most appropriate framework for it to use early in the 2010-11 fiscal year. The impact of the transition to the IFRS or PSAB on the Company's financial statements has yet to be determined.

3. Consolidation

Partnerships BC incorporated a wholly-owned subsidiary, ARHCC, under the Company Act on September 2, 2003 and commenced operations on that date to provide a single public entity to contract with the private sector partner in the development of a new hospital and cancer centre. ARHCC entered into a project agreement with the private sector partner on December 7, 2004. Under the agreement, the private sector partner will design, construct, finance and maintain the hospital and cancer centre until the end of the term of the agreement.

All payment obligations to the private sector partner are guaranteed by the Province. On May 6, 2008, ownership of ARHCC was transferred to FHA and PHSA as the organizations overseeing the operations of the hospital and cancer centre.

ARHCC had no operations prior to the date of transfer as it was solely focused on the development of the hospital and cancer centre.

4. Cash and Cash Equivalents

	2010	2009
Cash	\$ 6,800,002	\$ 9,861,983
Short-term investments	4,014,017	513,377
	<u>\$ 10,814,019</u>	<u>\$ 10,375,360</u>

Short-term investments consist of liquid investments, such as the Province of British Columbia Pooled Investment Portfolios, term deposits, money market instruments and Canadian government securities with maturities of 90 days or less from the date of purchase.

5. Property and Equipment

	Cost	Accumulated Amortization	Net Book Value 2010	Net Book Value 2009
Computer software	\$ 376,475	\$ 354,876	\$ 21,599	\$ 96,215
Computer hardware	441,358	345,122	96,236	104,565
Furniture and equipment	167,973	125,956	42,017	49,258
Leasehold improvements	383,530	285,373	98,157	138,482
Knowledge management	97,382	97,382	-	-
Website development	18,398	18,398	-	-
	<u>\$ 1,485,116</u>	<u>\$ 1,227,107</u>	<u>\$ 258,009</u>	<u>\$ 388,520</u>

6. Contributed Surplus

Partnerships BC was incorporated on October 26, 1977 (as Duke Point Development Limited) under the Business Corporations Act, formerly the Company Act, as a Crown corporation of the Province. In March 2002, Duke Point Development Limited transferred all its physical property to the Province and ceased all land development activities. In August 2002, as part of the restructuring of the Corporation, the Province, as Shareholder, authorized the elimination of the accumulated deficit of Duke Point Development Limited, in the amount of \$29,786,662, by reducing the Shareholder's contributed surplus of \$34,371,288 by a corresponding amount. The remaining balance of \$4,584,626 remains in contributed surplus of Partnerships BC.

7. Project Expenses

Project expenses represent costs, such as legal and consulting fees, incurred by Partnerships BC in connection with projects. The Company normally recovers these costs from its clients. Indirect and specific project costs ineligible for reimbursement are covered by provincial government revenue under the Public Private Partnerships Agreement between the Province and Partnerships BC, dated April 1, 2002. Project expenses incurred during the year are as follows:

Project	2010	2009
BC Cancer Agency Centre for the North	\$ 768,738	\$ 420,035
BC Hydro John Hart Replacement Project	174,096	-
BCIT Health/Life Science Complex	36,568	-
Children's & Women's Redevelopment Project	541,083	1,367,433
Evergreen Line	247,439	345,692
Fort St. John Hospital and Residential Care Project	161,256	59,591
Full Day Kindergarten	151,699	-
Interior Heart and Surgical Centre Project	73,891	-
Kelowna and Vernon Hospitals Project	2,149	72,233
Long-Term Accommodation Project	166,628	58,939
Lower Mainland Acute Care	-	137,018
Partenariats public-privé Québec – General	31,327	46,836
Port Mann/Highway 1	123,752	1,529,629
RCMP E Division HQ Relocation Project	752,753	482,231
Royal Jubilee Hospital Patient Care Centre	230,931	642,223
Smart Card and Faregate Project	95,743	-
SMH Redevelopment and Expansion	40,908	-
South Fraser Perimeter Road	718,300	-
Surrey Outpatient Care and Surgery Centre	506	785,861
Surrey Pre-Trial Services Centre	79,759	-
UBC Earth Systems Sciences Building	-	178,925
UBC Pharmacy Building	189,052	398,128
Others	41,536	160,868
	<u>\$ 4,628,114</u>	<u>\$ 6,685,642</u>

8. Commitments

Partnerships BC is committed to payments under operating leases for premises through fiscal 2015. The estimated payments are as follows:

Year	Amount
2011	558,387
2012	558,387
2013	460,661
2014	390,857
2015	228,000
	<u>\$ 2,196,292</u>

9. Employee Benefit Plan

The employees and employers of the public service contribute to the Public Sector Pension Plan (the Plan), a jointly trusted pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits are defined. The Plan has about 51,000 active plan members and approximately 30,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest valuation as at March 31, 2008 indicated a surplus of \$487 million for basic pension benefits.

The next valuation will be as at March 31, 2011, with results available in early 2012. The actuary does not attribute portions of the unfunded liability to individual employers. The employees of Partnerships BC contributed \$317,377 (2009 - \$295,539) while Partnerships BC paid \$354,428 (2009 - \$335,240) in employer contributions to the Plan in fiscal 2010.

10. Related Parties

Partnerships BC is related through common ownership to all provincial government ministries, agencies and Crown corporations. The majority of the Company's clients are also provincial government ministries, agencies and Crown corporations.

Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts. Transfers of assets are recorded at fair value. In the normal course of operations, Partnerships BC entered into transactions with the Province and certain Crown corporations, at prevailing market prices and credit terms.

The consolidated statements of income include the following transactions with related parties:

	2010	2009
Fees for services	\$ 5,618,242	\$ 5,789,511
Provincial government revenue	1,230,000	1,966,000
Other revenue	79,017	215,590
	<u>\$ 6,927,259</u>	<u>\$ 7,971,101</u>
Operating expenses:		
Professional services	1,619	323
Other expenses	92,053	78,091
	<u>\$ 93,672</u>	<u>\$ 78,414</u>
Project recoveries	<u>\$ 3,660,063</u>	<u>\$ 6,077,750</u>

Assets and liabilities with related parties as at March 31, 2009 were:

	2010	2009
Accounts receivable	\$ 2,182,855	\$ 3,233,500
Accounts payable and accrued liabilities	\$ 30,067	\$ 31,555

11. Financial Instruments

a. Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the company would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair values of cash and cash equivalents (including short-term investments), accounts receivable, other current assets, and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

The fair value of the short-term investments are determined by reference to published bid price quotations in an active market at year-end.

b. Financial management risk objectives and policies

In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. These risks may include credit risk, liquidity risk and interest rate risk.

c. General objectives, policies and processes

The Audit and Risk Management Committee of the Board has overall responsibility for the determination of the Company's risk management objectives and policies. The Audit and Risk Management Committee has delegated the authority to ensure effective implementation of the objectives and policies of the Company to the Chief Executive Officer (CEO) and to the Senior Management Team. The Audit and Risk Management Committee and Board of Directors receives quarterly reporting from the CEO and Senior Management to ensure all processes and policies put in place are effectively meeting the objectives of the Company.

d. Credit risk

Credit risk is the risk that the Company's counterparties will fail to meet their financial obligations to the Company, causing a financial loss.

Accounts receivable arise primarily as a result of consulting work to governments, ministries, agencies and Crown corporations, therefore, collection risk is low. The Company does not consider its exposure to credit risk to be material.

e. Liquidity risk

Liquidity risk is the risk that the Company may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

The Company has in place a planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operating requirements. The Company's annual service plan and budget are approved by the Board of Directors. The Company also provides quarterly forecast to the Audit and Risk Management Committee of the Board of Directors.

f. Market risk

The Company is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Company is exposed are interest rate risk and other price risk.

i. Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Cash and cash equivalents entered into by the Company bear interest at a fixed rate thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. The cash and cash equivalents are invested in high grade, highly liquid instruments and as such the Company manages its exposure to potential interest rate fluctuations in the short-term. The Company has no interest bearing debt.

ii. Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk). The Company is exposed to price risk through its investment in short-term investments.

As at March 31, 2010, the Company's total exposure to market risk is \$4,014,017. The Company's best estimate of the effect on net assets as at March 31, 2010, due to a reasonably possible increase or decrease of one per cent in the fund markets, with all other variables held constant, would approximately amount to an increase or decrease of \$40,140 respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

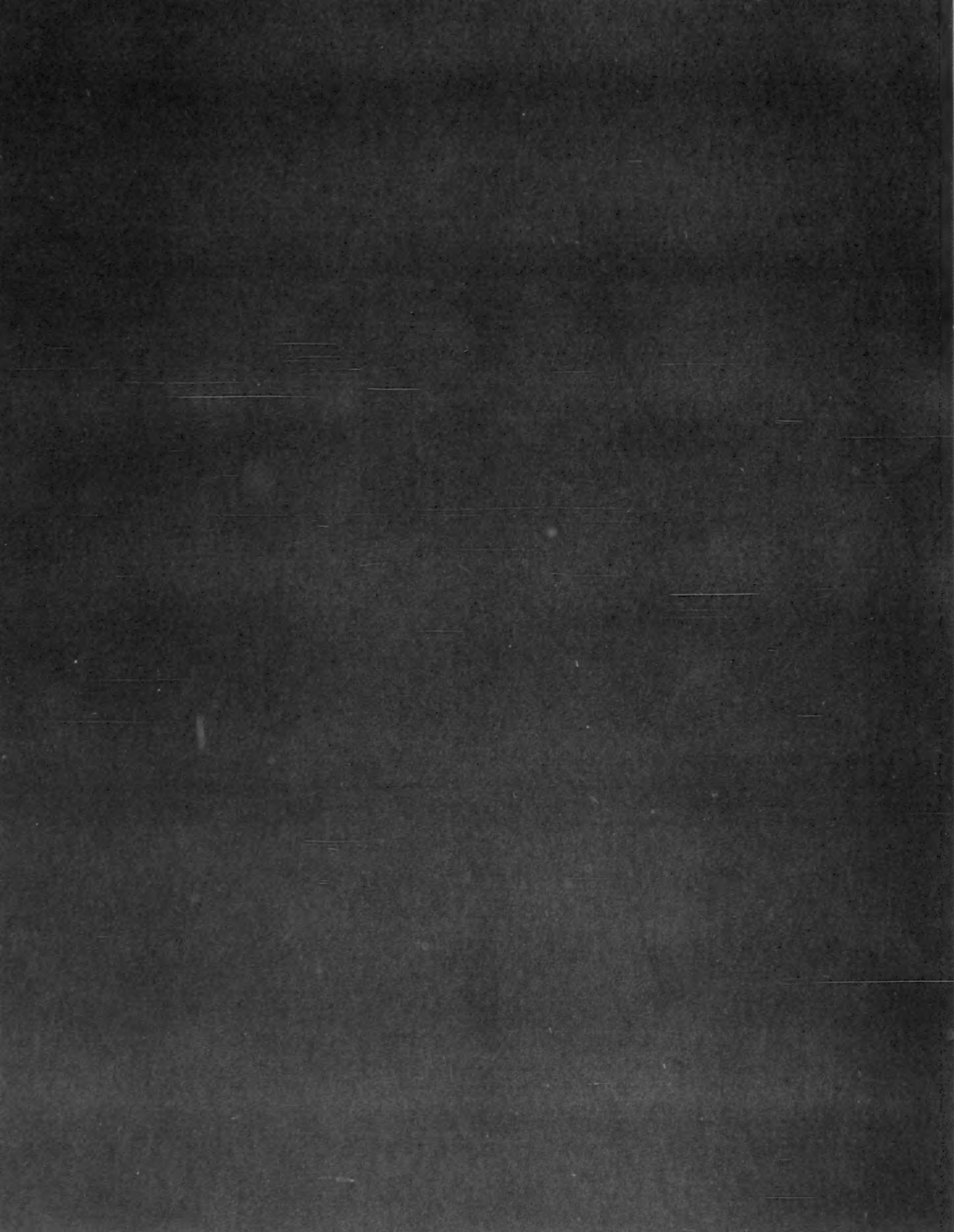
g. Sensitivity analysis

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

12. Capital Management

The Company's objectives when managing capital are to ensure that sufficient resources are available to fund the ongoing operations and future growth as well as safeguard the Company's ability to continue as a going concern, so that it can provide value for the Shareholder and benefits for other stakeholders. The Company considers its capital to include the components of Shareholder's Equity.

Management reviews its capital management approach on an ongoing basis, and believes that this approach, given the relative size of the Company is reasonable. There were no changes to the Company's approach to capital management during the year ended March 31, 2010. The Company is not subject to any externally imposed capital requirements.





partnerships
British Columbia